

# **True North Project**

## Decision To Issue Millsite Lease

ADL No. 416509

DEPARTMENT OF NATURAL RESOURCES  
Division of Mining, Land and Water

December 20, 2000

## I. Action Requested

Fairbanks Gold Mining, Inc. (FGMI) requested under AS 38.05.255 a Millsite Lease for the True North Project.

The Department of Natural Resources, Division of Mining, Land and Water (DNR) will issue a Millsite Lease to Fairbanks Gold Mining, Inc. as operator of the True North Project. This decision is limited to surface use of land authorized by AS 38.05.255(a) within the True North Project area. This land is under the management authority of DNR. A Millsite Lease issued under AS 38.05.255(a) is exempt from the provisions of AS 38.05.075. Under AS 38.05.035(e)(6)(H) a written finding is not required for a surface lease under AS 38.05.255. The requirements of AS 38.05.945 are not applicable.

## II. Discussion

**General location:** The True North Project is located on the northwest flank of Pedro Dome approximately 25 miles northeast of Fairbanks. The project area is presently accessed from the Mile 20 on the Steese Highway by 6.5 miles of existing gravel road on the south side of Pedro Dome.

**Area to be developed:** FGMI applied for authorization to develop at this time the Hindenberg and East Pit of the True North Project. Exploration is presently ongoing to identify additional resources in the area.

**Operating period:** The mine will operate 24 hours a day, 365 days a year. Mining is projected to begin in 2001 and continue for approximately three years on the Hindenberg and East pits. FGMI exploration crews will continue drilling to further define mineralization in the area. Exploration activities are anticipated to continue during the mine life to locate possible areas for expansion and associated mine development.

**Ore haulage:** FGMI will haul ore 24 hours a day, 365 days a year to the Fort Knox Mill using conventional highway tractor-trailer trucks. Each load will be 60 to 100 tons. Approximately 10,000 tons of ore per day will be hauled to the Fort Knox mine site. This equates to 100 to 170 truckloads to the mill daily via an access/haul road connecting the True North Project to the Ft. Knox facility ( See Decision for ADL 416471 Right-of-Way for True North Project Road )

**Tanana Basin Area Plan and FNSB Zoning:** The Millsite Lease is located within the Tanana Basin Area Plan (TBAP) in Subregion 1-Fairbanks North Star Borough, Management Unit 1J2-Cleary Summit-Pedro. The primary surface use designation is Minerals/Public Recreation. Recreation is emphasized to the extent that it does not interfere with mining activity. The secondary surface use is Forestry. The Millsite Lease is consistent with the designated uses, management guidelines and policies of the TBAP.

The Fairbanks North Star Borough has zoned this area General Use.

A traditional use finding is not required for the Millsite Lease as it is within the Fairbanks North Star Borough.

**Discussion:** Fairbanks Gold Mining, Inc. (“FGMI”), a wholly owned subsidiary of Kinross Gold Corporation, is the operator of the proposed True North Project. The True North Project includes an open pit mine, development rock dumps, ore stockpile, topsoil/growth medium stockpile, ore haulage, shop/office, power supply, water supply, and general infrastructure including access roads. Ore will be hauled to the Fort Knox mill for processing. FGMI must receive authorization from the Department of Environmental Conservation (DEC) before acceptance and processing can take place. Authorization will be under the Solid Waste Disposal Permit issued by DEC for the Ft. Knox tailings impoundment and requires that specific procedures be completed by FGMI and evaluated by DEC prior to DEC’s decision. The Millsite Lease is conditioned upon FGMI receiving authorization from DEC to process True North Project ore at the Fort Knox Facility.

FGMI as the operator of the True North Project will develop the Hindenberg and East Pits. The current projected mine life is approximately three years. Figure 3-1 of the Project Description (Attachment 1) depicts the True North Project General Arrangement and Figure 3-2 (Attachment 2) depicts the Mine Plan. The Millsite Lease Boundary is shown in Figure 1 (Attachment 3) of this decision and does not include University Lands within the Millsite Lease.

Surface uses of state land included within the Millsite Lease are limited to those necessary for the prospecting for and extraction of minerals and are subject to reasonable concurrent uses. For purposes of the True North Project Millsite Lease the uses shall be limited to those surface uses described in the Project Description and Reclamation Plan as approved by DNR or as specifically authorized or required by the Millsite Lease (see Attachment 4: Millsite Lease).

FGMI shall be required to pay a reasonable annual rent for the Millsite Lease and restricted uses as require under AS 38.05.255 and as provided in the Millsite Lease.

### III. Authority / Administrative Record

The authority to issue this Millsite Lease resides in AS 38.05.255.

This Millsite Lease was requested under AS 38.05.255. The True North Project files and ADL 416509 comprise the administrative record. The True North Project Description, Reclamation Plan, Socioeconomic Baseline Report, and other supporting documents as well as agency and public comments were reviewed and are a part of the record and ADL file.

### IV. Access

Access to the True North Project was reviewed concurrently with processing FGMI's request for a Millsite Lease as FGMI proposed to haul the ore from the True North Project to the Fort Knox facility (see Right-of-Way file ADL 416471) for processing.

## V. Environmental Risk

FGMI proposes to develop the True North Project. This activity involves the construction of minimal facilities at the True North Project as described in the Project Description. The operation and limited maintenance of mining equipment, storage of equipment fuels and vehicle maintenance related lubricants and fluids, ammonia nitrate, and heating oil will occur on the project site. FGMI will be required to have an emergency response plan for hazardous material for the Millsite Lease. The Project Description identifies the bulk storage facilities at the True North site. Environmental risk for the Millsite Lease area is considered minimal.

Results of ore and development rock characterizations were evaluated by a third-party consultant for the state. The evaluation showed minimum potential to any adverse impacts on any surface or ground waters of the state. The deposit is characterized by very low sulfur concentrations and elevated neutralization potential. The recommendations contained in the report were considered and incorporated in the appropriate authorizations and approvals.

## VI. Public Comment and Decision

A Millsite Lease under AS 38.05.255 is exempt from the requirements for a written finding under AS38.05.035(e) and is therefore exempt from the department's public notice statute AS 38.05.945. AS 38.05.255 itself does not provide for public notice. Because issuance of a millsite lease is a disposal of an interest in state land, DNR recognized that some form of public notice is constitutionally required even through there is no statutory guidance for that notice. Therefore, I find and decide that in exercising my authority under AS 38.05.035 (a) DNR has provided reasonable and sufficient public notice and opportunities for public review and comment on the True North Project generally, and specially on the Millsite Lease.

I find and decide that DNR will issue Millsite Lease ADL 416509 as shown in Attachment 4. This decision is based on AS 38.05.255 and evaluation of information applicable to the True North Project and

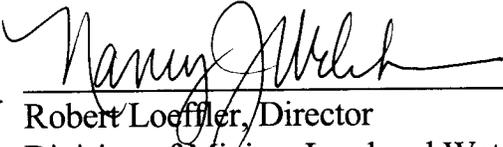
consideration of public comments and agency input. Additional conditions were added as a result of public and agency input.

The Millsite Area shall be managed in a manner that, to the extent feasible and prudent and using accepted industry practices, mitigates adverse effects of Millsite Operations, especially to residents, recreation uses adjacent to the Millsite Area, and in the disturbance or damage to the environment. The Millsite Lease and approved Plan of Operations shall reflect this requirement.

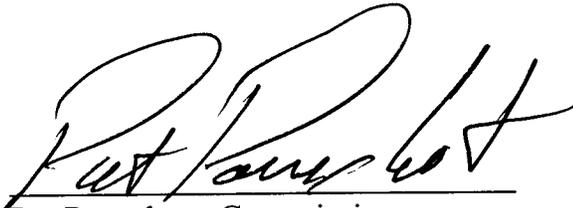
The Reclamation Plan, as approved by the Director, specifies the measures necessary to return the land to a useful condition and requires the necessary performance bonding to accomplish reclamation of the Millsite Area.

I find and decide that the Millsite Lease is appropriate for the True North Project and will be issued to Fairbanks Gold Mining, Inc. and LaTeko Resources, Inc. as tenants in common under the True North Joint Venture Agreement. The Millsite Lease will be issued under the conditions and limitations imposed by law and those additional conditions and limitations set out in the Millsite Lease attached hereto and made a part of this decision. Additionally, I have made the True North Project Millsite Lease conditioned upon FGMI receiving authorization from the Department of Environmental Conservation to process True North Project ore at the Ft. Knox Facility under Solid Waste Permit (00031-BA008) Fort Knox Mine Tailing Disposal.

This Decision incorporates by reference the **TRUE NORTH PROJECT: Decisions Overview and Preface.**

for   
Robert Loeffler, Director  
Division of Mining, Land and Water

December 20, 2000  
Date



Pat Pourchot , Commissioner  
Department of Natural Resources

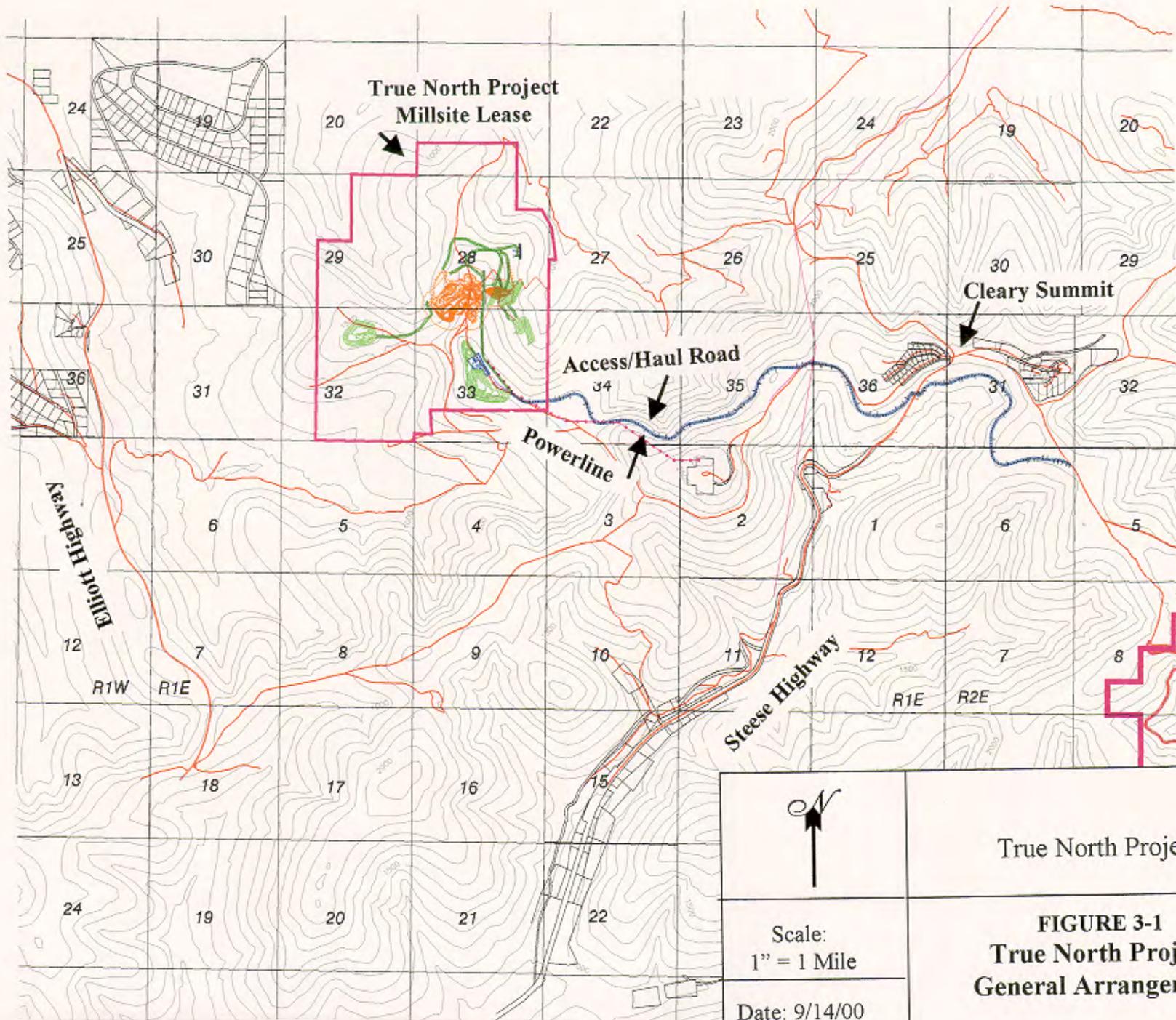
December 20, 2000  
Date

### **Appeal Right and Procedure**

This is a final administrative order and decision of the department for purposes of an appeal to Superior Court. A person adversely affected by this final order and decision may (1) appeal to Superior Court within 30 days in accordance with the rules of the court, and to the extent permitted by applicable law, or (2) first request reconsideration of this decision, in accordance with AS 44.37.011 and 11 AAC 02.020, to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501. Any such request for reconsideration must be received at that address, or received by being faxed to 1-907-269-8918, by January 9, 2001. Failure of the commissioner to act on a request for reconsideration by January 19, 2001 is a denial of reconsideration and is also a final administrative order and decision for purposes of an appeal to Superior Court. It may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources. This decision goes into effect January 20, 2001 unless the commissioner first orders reconsideration.

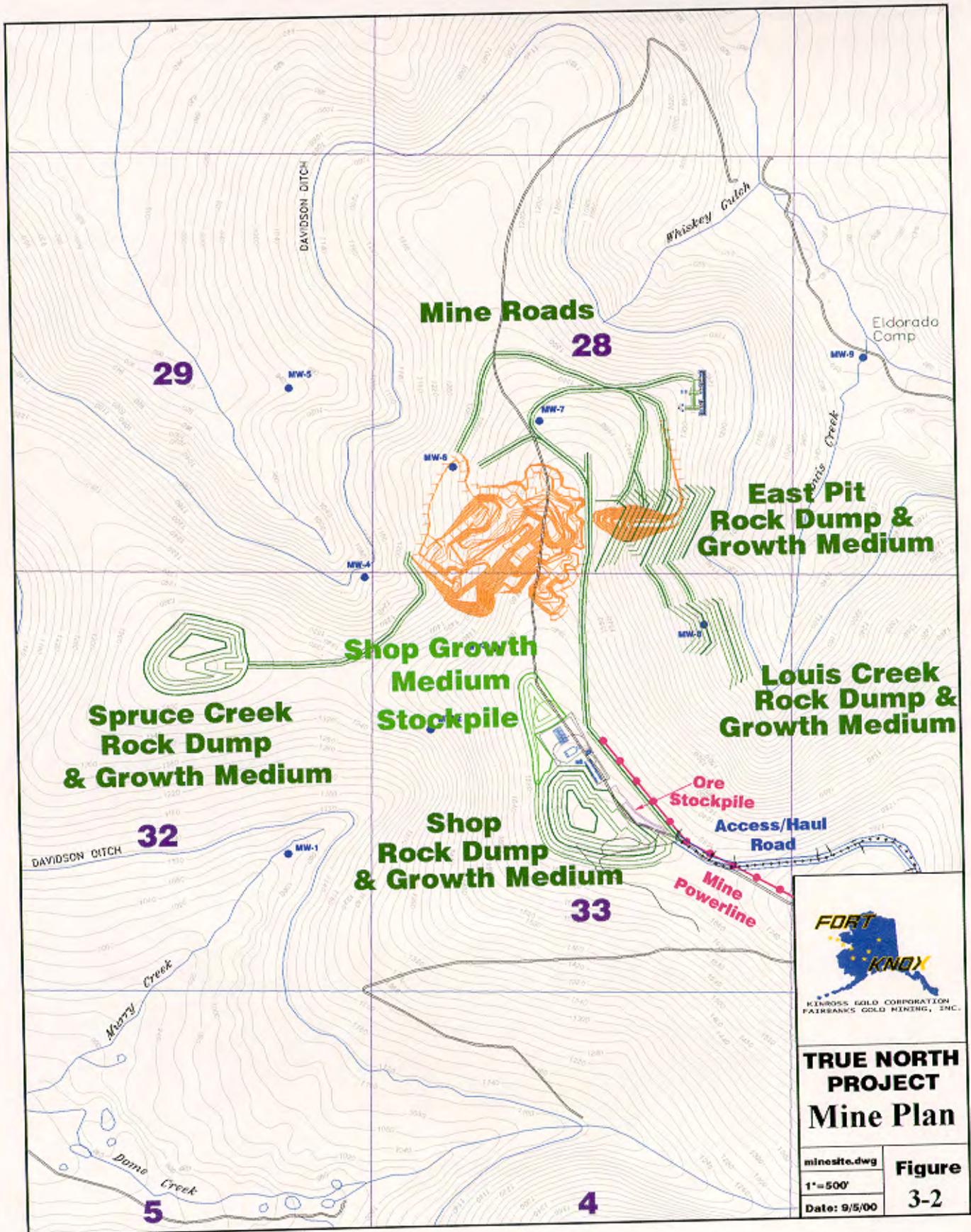
At the time a request for reconsideration is filed, an appellant may submit additional written material to support it, including evidence or legal argument. If the Commissioner orders reconsideration and if the Commissioner in his discretion under 11 AAC 02.050(a) further determines that there are questions of fact to be resolved that require a hearing, the hearing will be held in Fairbanks on January 16, 2001 at 10:00 A.M. at the Noel Wien Library. The hearing procedures under 11 AAC 02.050(b) will be announced at the time of his determination, if any. If a hearing is held, an appellant may submit additional written material at the hearing.

<b>Attachment 1</b>	Figure 3-1: General Arrangement
<b>Attachment 2</b>	Figure 3-2: Mine Plan
<b>Attachment 3</b>	Figure 1: Millsite Lease Boundary
<b>Attachment 4</b>	Millsite Lease ADL 416509

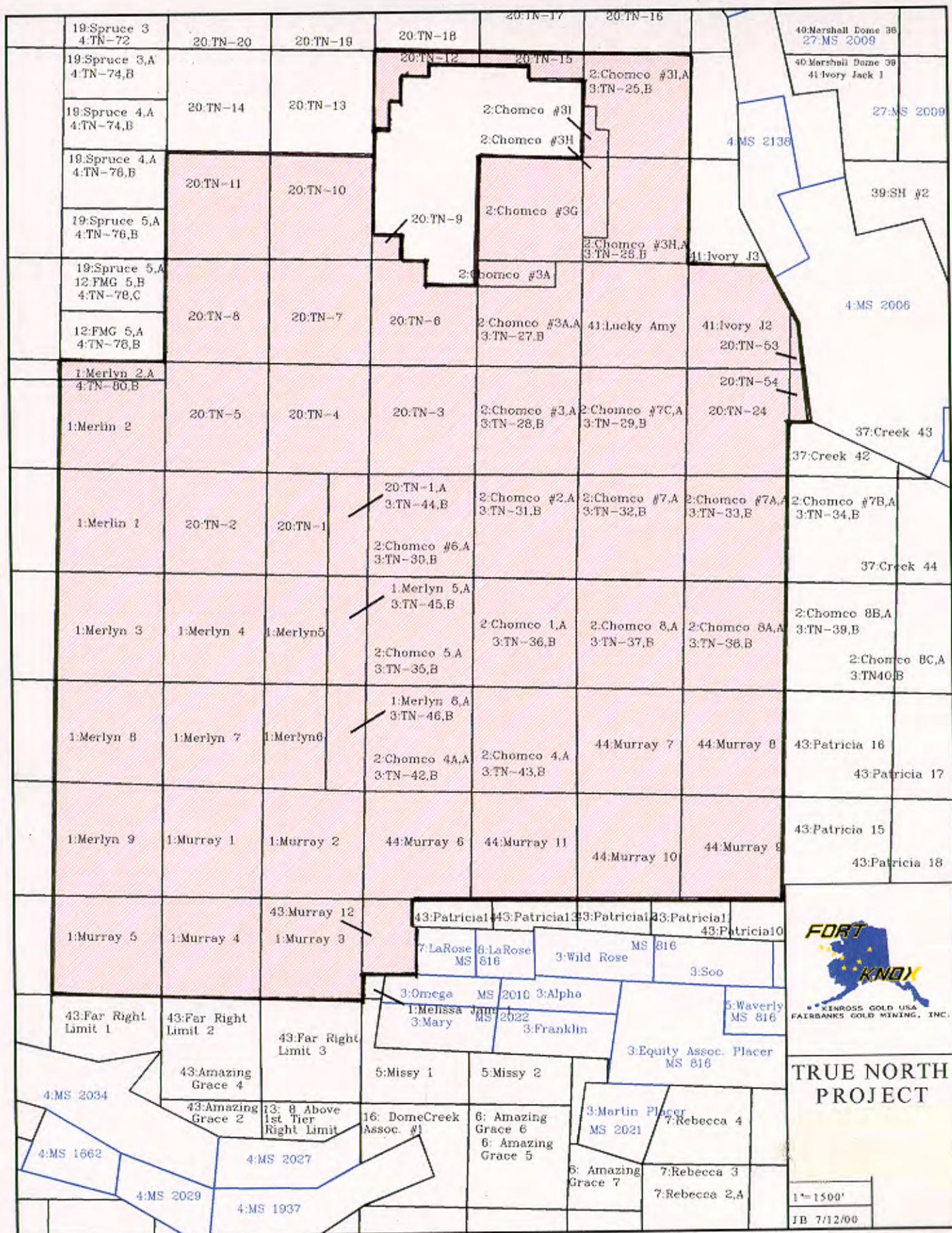


	True North Project
Scale: 1" = 1 Mile	<b>FIGURE 3-1</b> <b>True North Project</b> <b>General Arrangement</b>
Date: 9/14/00	

**ATTACHMENT 1: FIGURE 3-1 GENERAL ARRANGEMENT**



ATTACHMENT 2: FIGURE 3-2 Mine Plan



**ATTACHMENT 3: FIGURE 1-MILLSITE LEASE BOUNDARY**

**ATTACHMENT 4**

**Millsite Lease ADL # 416509**

# **TRUE NORTH MINE PROJECT**

## **MILLSITE LEASE**

**ADL 416509**

issued to

**Fairbanks Gold Mining, Inc.  
and  
LaTeko Resources, Inc.**

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EXHIBITS

- Exhibit A: Millsite Area Land Description
- Exhibit B: Assessment and Protection of Cultural Resources
- Exhibit C: Parent Entity Guaranty

TRUE NORTH PROJECT  
MILLSITE LEASE

ADL No. 416509

1. Parties. This Millsite Lease ("this Lease"), executed this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, is issued by the State of Alaska ("State"), acting by and through the Department of Natural Resources, Division of Mining, Land and Water ("Division") pursuant to AS 38.05.255, to 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, as to 65% interest, and LaTeko Resources, Inc. ("LaTeko"), a Nevada corporation the address of which is P.O. Box 73726, Fairbanks, Alaska 99707-3726, as to 35% interest, as tenants in common under the True North Joint Venture Agreement.
  
2. Definitions. For the purposes of this Lease, the following terms have the following meanings:
  - a. "Annual Rent" means the annual rent required by AS 38.05.255 as determined pursuant to Section 6 herein.
  - b. "Director" means the Director of the Division, unless otherwise indicated.
  - c. "Division" means the Division of Mining, Land and Water within the State of Alaska Department of Natural Resources, and its successor agencies unless otherwise indicated.
  - d. "Effective Date" means the date that this Lease is executed by the Director, Division of Mining, Land and Water unless specified otherwise by the Director.
  
  - e. "Facility" or "Facilities" means any and all structures, excavations, or improvements constructed or in the process of being constructed in or on the Millsite Area pursuant to the Plan of Operations , including but not limited to buildings, roads, utility lines and equipment, pipelines, impoundments, reservoirs, pits, waste dumps, and wells.
  - f. "Hazardous Substance" means the same herein as in AS 46.03.826(5), with "oil" as defined in AS 46.03.826(7).

- g. "Lessee" means, collectively unless expressly indicated otherwise, FGMI as to 65% and La Teko as to 35%, as lessees of this Lease and their respective successors and assigns.
- h. "Millsite Area" means those State lands described in Exhibit A attached hereto and incorporated by reference herein.
- i. "Millsite Operations" means those activities that are conducted in or on the Millsite Area pursuant to and in compliance with the Plan of Operations, environmental systems management plans, project management system, or other plans requested and approved by the Division, along with such activities reasonably associated therewith, which in this Project include but are not limited to the following:
  - i. storing, removing, transporting, and selling or otherwise disposing of minerals mined pursuant to Mining Rights;
  - ii. placing, constructing, erecting, installing, maintaining, repairing, using, replacing, and removing excavations, openings, ditches, drains, stockpiles, waste rock dumps, roads, haulageways, buildings, structures, machinery, equipment, and other Facilities at locations specified in the Plan of Operations, on or below the surface of the Millsite Area, as may be reasonably necessary or desirable for the purpose of engaging in the activities described in Subsection 2(i)(i) above;
  - iii. reclaiming the Millsite Area in conformance with the provisions of this Lease and the Reclamation Plan; and
  - iv. any and all other actions in or on the Millsite Area that may be reasonably necessary or desirable to carry on Millsite Operations, including temporary use of surface water run-off at the mine site to be used for dust control purposes within the Millsite Area, subject to the limitations and restrictions of any and all other leases, permits, authorizations, statutes, laws, regulations, and ordinances existing at the time of the action.
- j. "Mining Operations" means those activities constituting the normal and reasonable exercise of Mining Rights under an approved Plan of Operations.
- k. "Mining Rights" means the working interest in any and all mining claims, mining leases, or any other mining properties, either collectively or individually, that are owned or controlled by Lessee and that are located within the Millsite Area , now or at

any time during the period when the Plan of Operations is in effect for the Millsite Area; as used herein, "working interest" means the exclusive right to exploit those minerals that on State lands are subject to AS 38.05.185 - 05.275.

- l. "Parent Entity" means the parent entity of the Lessee that guarantees the performance of Lessee's obligations and responsibilities of Lessee under this Lease, pursuant to the terms of the guaranty provided in Exhibit C hereto.
- m. "Plan of Operations" means the True North Project Description and True North Reclamation Plan, submitted to the Division by Lessee in accordance with 11 AAC 86.146, for the conduct of Mining Operations and Millsite Operations as updated, revised, or amended by Lessee and approved by the Division and other plans as required by other state or federal statutes or regulations or by the division under this Millsite Lease. For purposes of the True North Project the Monitoring Plan will be included as part of the Plan of Operations.
- n. "Pollution" means the same herein as in AS 46.03.900(19) with respect to water, land, or subsurface land and the same herein as in AS 46.03.900(2) with respect to air.
- o. "Project Description" means the "Project Description for the True North Mine" (February 2000) submitted by FGMI to the Division describing
  - i. the proposed open pit gold mine on the lands included within the Millsite Area and
  - ii. the proposed Mining Operations and Millsite Operations within the Millsite Area associated with said mine,as updated, revised, or amended.
- p. "Reclamation" means rehabilitation of the lands within the Millsite Area pursuant to and in accordance with the Reclamation Plan.
- q. "Reclamation Plan" means the True North Project reclamation plan for the Millsite Area submitted by Lessee and approved by the Division in compliance with AS 27.19 and the regulations promulgated pursuant thereto, as updated, revised, or amended by FGMI and approved by the Division thereafter.
- r. "State" means the State of Alaska as sovereign and owner of the lands within the Millsite Area, and, where the context requires, the agencies or authorized representatives thereof.

- s. "Temporary Closure" means a suspension or cessation of both Mining Operations and Millsite Operations on the Millsite Area for a period not exceeding three (3) years in duration.
- t. "Transfer" means, as the context requires,
  - i. to sell, grant, assign, encumber, pledge, or otherwise commit or dispose of, or
  - ii. a sale, grant, assignment, encumbrance, pledge or other commitment or disposition.
- u. "True North Joint Venture Agreement" means that certain True North Joint Venture Agreement dated effective June 9, 1995, as amended, by and between FGMI and LaTeko.

3. Grant of Lease.

- a. Pursuant to AS 38.05.255, as amended, and for and in consideration of the Annual Rent described in Section 6 herein and subject to the reservations, exceptions, exclusions, limitations, conditions, and other provisions contained in this Lease, the State, by and through the Division, hereby grants and leases to Lessee and its successors and assigns for the term set forth in Section 5 below and solely for the purpose stated in Subsection 3(b) herein, the following described State lands within the Fairbanks Recording District:
  - See Exhibit A
- b. This Lease is granted for the purpose of conducting Millsite Operations on the Millsite Area in compliance with the terms and conditions of this Lease.
- c. All rights granted pursuant to this Lease are subject to any valid existing rights within the Millsite Area and the requirement of reasonable multiple concurrent use as provided for in the Constitution of the State of Alaska, AS 38.05.255, and AS 38.05.285; however, pursuant to 11 AAC 86.145, Lessee may restrict public access to those areas of the Millsite Area where such restriction is necessary for public safety or to prevent unreasonable interference with Millsite Operations.
- d. This Millsite Lease is conditioned upon the lessee receiving authorization from the Department of Environmental Conservation to process True North Project ore at the Ft. Knox Facility under Solid Waste Permit (00031-BA008) Fort Knox Mine Tailing

Disposal. Transporting ore that does not meet the requirements of the Solid Waste Permit is a breach of this Millsite Lease.

4. Reserved Rights.

- a. The State, for itself and others, reserves all rights not expressly granted to the Lessee by this Lease. These reserved rights include but are not limited to:
  1. the right to explore for, develop, lease, and remove from the Millsite Area minerals not otherwise owned or controlled by the Lessee;
  2. the right to establish or grant easements and rights-of-way upon, through, or in the Millsite Area for any lawful purpose, including roads, railroads, well sites, pipelines, utility lines, drill holes, shafts, and tunnels necessary or convenient for the use of the lands included within the Millsite Area for purposes other than activities engaged in pursuant to this Lease, or necessary or convenient for access to or the use of other land for any purpose; and
  3. the right to manage and to convey to third parties by grant, lease, permit, or otherwise, any and all interests in the lands included within the Millsite Area other than those granted by this Lease, provided that any such grant, lease, permit or other conveyance of rights is made subject to the provisions of this Lease.
- b. The rights reserved pursuant to Subsection 4(a) above shall not be exercised in any manner that unreasonably interferes with Lessee's activities engaged in pursuant to this Lease. The Division shall provide Lessee with prior written notice of the State's intent to exercise any rights reserved under Subsection 4(a) of this Lease and the opportunity to comment on the proposed exercise of any such reserved rights. The parties shall work cooperatively to identify potential conflicts, and the Division shall require as a condition of the exercise by the State or any other party of any such reserved rights, such stipulations as appear necessary to protect public safety or to prevent unreasonable interference with the rights of the Lessee.

5. Term.

The term of this Millsite Lease commences on the Effective Date and shall continue, unless sooner terminated in accordance with the provisions of this Lease, until completion of all

requirements under and pursuant to the Plan of Operations approved by the Division for lands within the Millsite Area.

6. Annual Rent.

a. On or before the close of business on the Effective Date of this Lease and annually thereafter on or before the Effective Date for so long as this Lease is in effect, in order to continue this Lease in effect, Lessee shall pay an Annual Rent as follows:

*i.* The Annual Rent for the first five years hereunder shall be the rental value of the land without improvements installed or constructed by Lessee, calculated based on the appraised value determined by an appraisal of the Millsite Area to be carried out at Lessee's expense by an independent appraiser selected by Lessee from an approved list of appraisers provided by the Division and in accordance with the additional appraisal instructions issued by the Division.

*ii.* The Annual Rent for each succeeding five year period (e.g., starting in the sixth year of this Lease, the eleventh year, etc.) hereunder shall be the rental value of the Millsite Area land without improvements installed or constructed by Lessee, which shall be calculated as the then-existing Annual Rent amount multiplied by a fraction the numerator of which is the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Department of Labor, Bureau of Statistics, as it exists on January 1 of the year in which the Annual Rent is to be adjusted, and the denominator of which is the CPI-U published by the U.S. Department of Labor, Bureau of Labor Statistics, for most recent publication

*iii.* Upon completion of all activities except reclamation under the Plan of Reclamation, the Annual Rent for lands then within the Millsite Area shall be reduced to a nominal charge to reflect the substantial decrease in use of the Millsite Area, which nominal charge shall be a percentage of the fair market value as determined by the Director.

b. All payments to the State under this Lease must be made payable to the State in the manner directed by the State and shall be tendered to the State at:

Department of Natural Resources

Attention: Revenue Unit

550 W. 7th Ave., Suite 1410  
Anchorage, Alaska 99501-3561

or to such other depository designated by the Division upon sixty (60) days written notice as described in Section 27 herein.

- c. Failure to pay the Annual Rent constitutes a material breach of this Lease that shall result in termination unless cured as provided in Section 19 herein.

7. Materials within Millsite Area.

- a. Lessee shall not sell or remove from the Millsite Area for use on any lands not included within the Millsite Area any timber, waste rock, stone, gravel, peatmoss, topsoil, or any other material valuable for building or commercial purposes. Such material may be used without charge only within and for the benefit of the Millsite Area and for or in connection with Millsite Operations.
- b. All timber on the Millsite Area that will be disturbed due to Millsite Operations shall be:
  - i. used for Millsite Operations in or on the Millsite Area;
  - ii. chipped and mulched by Lessee for use as a soil amendment for incorporation into topsoil stockpiles and other suitable growth medium for the purposes of enriching growth medium stockpiles, enhancing interim reclamation, or increasing the resources to reclaim the mined area at closure, or upon Division approval in consultation with State Division of Forestry, otherwise incorporated into the soil; or
  - iii. after consultation with the State Division of Forestry and where determined by Lessee to be of suitable size and located in affected areas that are easily accessible, the timber shall be felled, limbed, bucked into log lengths, and decked in suitable areas for mutually agreed disposition.

8. Reclamation Bond.

- a. During the term of this Lease, prior to commencement of any activities by Lessee on the Millsite Area resulting in land disturbance and prior to January 1 of each subsequent year that this Lease is in effect, Lessee shall furnish to the Division a

reclamation bond which meets the requirements and standards of AS 27.19, the regulations thereunder and the Reclamation Plan, securing Lessee's performance of the Reclamation Plan. Lessee, for itself, its assigns and subrogees specifically waives any right to challenge the amount of the bond based on the bond amount exceeding seven hundred and fifty dollars (\$750) per mined acre.

- b. The reclamation bond amount for the first five years of this Lease shall be mutually agreed upon prior to issuance of this Lease. Thereafter, the reclamation bond amount shall be redetermined at intervals and for intervals of no more than three years. At least 90 days prior to the expiration of a reclamation bond interval, Lessee shall supply to the Division all relevant information concerning Lessee's operations and reclamation planned for the Millsite Area for the succeeding interval. The Division shall notify Lessee of the bond amount for the succeeding interval at least 45 days prior to the expiration of the current bond interval.
- c. Lessee shall provide evidence of bond renewal or a surety's commitment for a new bond no later than 15 days prior to the expiration of the existing bond. Failure to provide such evidence of renewal or commitment timely is a breach of this Lease.

9. Insurance.

- a. During the term of this Lease, Lessee shall maintain the following policies of insurance written by insurance companies with a financial rating of "Very Good" as rated in the most recent edition of Best's Insurance Reports or the equivalent of that rating as approved and accepted by the Division, and be authorized to provide insurance in Alaska.
  - i. Commercial General Liability Insurance with a combined single limit (including umbrella liability coverage) of not less than Five Million Dollars (\$5,000,000.00) per occurrence/annual aggregate, which shall include, but not be limited to: Premises and Operations, Independent Contractors, Owners and Contractors Protective, Products/Completed Operations, Contractual including the indemnification clauses in Section 21, Explosion, Collapse and Underground Property Damage, Personal Injury, and Incidental Malpractice and Errors and

Omissions Coverage. This insurance shall insure against claims which may arise out of or result from Lessee's operations related to the Millsite Area whether such operations be conducted by Lessee or by its contractors or subcontractors, or by any entity directly or indirectly employed by either of them, or by anyone for whose acts any of them may be liable.

- ii.* Auto Liability Insurance with a combined single limit (including umbrella liability coverage) of not less than Five Million Dollars (\$5,000,000.00) per occurrence/annual aggregate, which shall include, but not be limited to: All vehicles owned, hired, or used by Lessee for Millsite Operations, both on and away from the Millsite Area.
  
- iii.* Professional Liability Insurance providing coverage for all errors and omissions or negligent acts of any design/project professional involved in the True North Mine Project for which this Lease is issued, with coverage limits of not less than Five Million Dollars (\$5,000,000.00) per claim and project aggregate. The requirements of this Subsection 9(a)(iii) shall be deemed satisfied for the term of this Lease if equivalent coverage is provided under the Commercial General Liability insurance required in accordance with Subsection 9(a)(i) above, where such equivalency is evidenced by the State's written confirmation and approval thereof.
  
- iv.* Statutory Alaska Workers' Compensation and Employer's Liability Insurance with a limit of not less than Five Million Dollars (\$5,000,000.00) in compliance with the laws of Alaska, and where applicable, insurance which complies with any other statutory obligations, whether federal or state, pertaining to the compensation (including Voluntary Compensation) of employees of Lessee injured as a result of Millsite Operations. The Worker's Compensation Insurance shall contain a waiver of subrogation clause in favor of the State.

- v. Pollution Liability Insurance, if available at a reasonable cost, with combined single limits not less than Ten Million Dollars (\$10,000,000.00) per occurrence for any claim arising out of or related to any event or happening directly or indirectly caused by or resulting from the dispersal, discharge, escape, release, removal or saturation of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, gasses, contaminants, or pollutants into the atmosphere, or in, onto, upon, or into the surface or subsurface of soil, water or watercourses, objects, or any tangible or intangible matter, whether sudden and accidental or gradual.
  
  - vi. All Risk Property Insurance, if available at a reasonable cost, (including earthquake and flood), including business interruption, on all structures, buildings, and equipment on or affixed to or otherwise connected to the Millsite Area, in such amounts and with such deductibles as under good business practices are ordinarily provided for on similar buildings and equipment, but in no event in an amount less than the replacement value of all the insurable structures, buildings, improvements, and equipment on or in the Millsite Area. During course of construction, Lessee shall provide or cause significant contractors to provide "All Risks" Builders' Risk Insurance.
- b. Where the State has an insurable interest in the Millsite Area or Millsite Operations, the State shall be named as additional insured on all of Lessee's insurance policies covering the Millsite Area and all activities related to the Millsite Area whether actually occurring on the Millsite Area or not, and on all insurance policies taken out and maintained by all significant contractors and subcontractors under contracts with Lessee for work on the Millsite Area. Alternatively, appropriate waivers of subrogation in favor of the State may be obtained with respect to all such insurance policies to affect the same purpose. Such insurance coverage or waivers of subrogation shall not cover or apply to the State where the sole proximate cause of the injury or damage is the reckless act or failure to act or willful misconduct by the State

or anyone acting on behalf of the State. Where the State is named as an additional insured, this insurance shall be considered to be primary of any other insurance carried by the Division through self-insurance or otherwise. All such insurance where the State is named as an additional insured must include a "cross liability" or "severability of interest" clause or endorsement.

- c. All required insurance policies with endorsements must be submitted to the Division for approval. The Division shall approve or disapprove the policies and endorsements within thirty (30) days of receipt by the Division. Certificates of Insurance (or certified copies of the policies, if requested by one of the parties) shall be provided to the Division. The certificates shall provide that thirty (30) days advance written notice by certified mail will be given to the Division before cancellation or material change in the coverage. The Division shall also be notified of renewals.
- d. The requirements for insurance coverages of the kinds and with the limits stated in this Section shall not be construed as a representation that such insurance coverage is adequate or that it imposes any limit on Lessee's liability as against the State.
- e. Required insurance is subject to annual review and adjustment by the Division in consultation with the Division of Risk Management, which may require reasonable changes based on changes in risks. If a change in coverage is required by the Division, the Division shall provide to Lessee a written explanation for any change and Lessee may appeal any change pursuant to 11 AAC 02 *et seq.*
- f. Lessee shall pay all deductibles where applicable under these insurance policies.

10. Commencement of Millsite Operations.

- a. No particular Millsite Operation shall commence in or on the Millsite Area until:
  - i. the Plan of Operations is approved by the Division;
  - ii. the initial reclamation bond is received and approved by the Division;



the State Fire Marshal, mechanical department, and electrical department when required by law.

- d. Following review, the Division will advise Lessee in writing if and when Lessee is authorized to proceed with construction. Lessee shall not proceed with construction prior to receiving appropriate authorization. An authorization for construction may be issued by the Division for individual or groups of project components, although complete submittals are desirable, when possible. The final requirements under this Section 10 shall be coordinated with Lessee and other appropriate agencies.
- e. Prior to transporting ore to the Fort Knox Mill for processing, Lessee shall submit certification(s) by an engineer or engineers that the roads, grading, drainageways, buried utilities, and site preparation for waste dumps were all constructed or prepared in accordance with the plans which were submitted to the Division for review. All certification shall be made by properly licensed engineers. Representatives of the Division shall periodically inspect project progress. If deviations from the plans or schedule are observed, the Division representative shall advise Lessee of the deviations and Lessee shall take appropriate action to correct the deviations. Following completion of construction and any other Lease requirements, the Division shall issue an authorization to transport ore to the Ft. Knox Facility.

11. Maintenance; Obligations; Breach.

- a. Lessee shall maintain the Millsite Area in good condition, including but not limited to, all Facilities and all of Lessee's personal property located in or on the Millsite Area. In addition to the obligations set forth in this Lease, Lessee shall take all prudent precautions to prevent pollution of the groundwater, surface water, air, and land; to prevent or suppress grass, brush, or forest fires; and to prevent erosion or destruction of the lands, features, and resources within the Millsite Area.

- b. Lessee shall conduct all Millsite Operations in compliance with the Plan of Operations or other plans approved by the Division for lands within the Millsite Area, the Reclamation Plan, all other permits or authorizations issued by local, state, and federal agencies, and all applicable laws, statutes, regulations, and ordinances including but not limited to environmental statutes and regulations.
- c. Failure to commence to cure a breach of any obligation set forth in this Lease upon notice from the Division pursuant to Section 27 and within the time allowed after notice by this Lease pursuant to Section 19 constitutes a material breach of this Lease and may result in termination.

12. Inspection and Entry by the Division.

- a. Lessee shall permit the Division or its agents to enter into and upon the Millsite Area and Facilities at all reasonable times without notice, subject to such safety and security procedures as Lessee may from time to time adopt, for the purpose of inspecting the Millsite Area and the activities thereon including but not limited to activities involving Hazardous Substances.
- b. Each year that this Lease is in effect, during the fourth (4) calendar quarter, Lessee shall meet with the Division and provide an update and briefing describing the activities of the year immediately preceding and activities planned for the immediately upcoming year with a copy of the update and briefing materials to be provided ten (10) days prior to the meeting. At the Division's discretion, this information may be made public in the context and format mutually agreed upon by Lessee and the Division.
- c. At least once a year, during the second or third quarter and upon prior written notice, the Division will inspect the Millsite Area and all activities thereon for compliance with the terms of this Lease. This inspection may, at the discretion of the Division, be conducted as a joint agency inspection.

- d. At any time upon the Division's written request, Lessee shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, or ordinance available to the Division for inspection and copying as reasonably required by the Division to determine Lessee's compliance with local, state, and federal laws applicable to Millsite Operations. For information purposes the lessee the Division shall agree on what, if any, routine site information may be of assistance and available to Division personnel for period updates as development of the project occurs.

13. Environmental Audit.

- a. The Plan of Operation shall be updated annually if necessary. Prior to and in preparation for termination of this Lease and/or every third year of operation but not later than August 31, 2003, and as partial satisfaction of the requirements of the Reclamation Plan, an environmental audit shall be conducted at Lessee's expense. The Division and Lessee shall mutually select a qualified auditor. To qualify, the auditor must:
  - i. certify that no relationship exists through professional, financial, or personal reasons that could bias the auditor's judgment or the audit results and that no self-serving interest in the outcome of the audit exists;
  - ii. demonstrate a commitment to professional and ethical standards generally accepted in the environmental auditing profession; and
  - iii. demonstrate a professional proficiency in the specific areas of hardrock mining, associated environmental issues, and current federal/state regulatory programs and climate, and an appropriate working knowledge and appreciation of management principles, quantitative methods, and computerized information systems.
- b. The scope of the first audit to be conducted during the third year of this Lease will be to determine if both the environmental and project management systems of Lessee and the regulatory controls imposed on Lessee provide reasonable assurances that environmental and project management objectives are being met and that the systems

and controls are functioning as intended. The scope of subsequent audits may be revised as mutually agreed upon prior to initiation of each audit to address specific issues or objectives not previously identified in Environmental Management Plans of Lessee or Lease terms. Identification of such issues or objectives may be accomplished, at the discretion of the Division, through a joint Lessee/Division public meeting prior to the audit.

- c. The audit will be an objective, systematic, and documented review of the conditions, operations, and practices related to environmental requirements and environmental management of the Millsite Operations conducted under this Lease. The objectives of the audit will be to evaluate:
  - i.* Lessee's compliance with all federal, state and local permits and authorizations;
  - ii.* Lessee's compliance with internal environmental policies, plans, and procedures, and established environmental management systems and policies, are subject to updating, amendment, or revision upon mutual agreement of the parties. The lessee shall provide the Division with an initial list of such plans, procedures, and policies prior to commencement of Millsite Operations;
  - iii.* the reliability and integrity of information relating to environmental reporting and compliance;
  - iv.* the adequacy of state oversight to protect state resources; and
  
- d. The State and Lessee will use the audit results to assist in updating, renewing, or issuing authorizations and permits, in updating policies, plans, and procedures, and in determining compliance with permits and authorizations.

14. Taxes and Liens.

- a. During the term of this Lease, Lessee shall be solely responsible for paying any and all real property taxes, assessments, and similar charges levied by the State, any municipality, or any other governmental entity upon the interest in the Millsite Area granted to Lessee by this Lease. Lessee shall have the right to contest, in courts or

otherwise, the validity or amount of any such taxes, assessments, or charges if Lessee deems them to be unlawful, unjust, unequal, or excessive, or to undertake such other steps or proceedings as Lessee may deem reasonably necessary to secure a cancellation, reduction, readjustment, or equalization thereof before Lessee shall be required to pay them, but in no event shall Lessee permit or allow its interest in the Millsite Area granted by this Lease to be lost or the State's title to the Millsite Area to be clouded or encumbered as a result of the nonpayment of any such taxes, assessments, or charges.

- b. During the term of this Lease, Lessee shall be solely responsible for paying for all labor and services performed upon or materials furnished to the Millsite Area by, for, or at the request of Lessee. Lessee shall keep its interest in the Millsite Area granted by this Lease and the State's title to and interest in the Millsite Area free and clear of any and all mechanic's, mining, labor, or materialmen's liens arising out of or resulting from the performance of labor or services upon or the furnishing of materials to the Millsite Area by, for, or at the request of Lessee, except those liens arising by operation of law for which payment is not yet due. Lessee shall have the right to contest, in the courts or otherwise, the validity or amount of any such lien that may be filed. If and when requested by the Division, Lessee shall post and record notices of nonresponsibility for the benefit of the State pursuant to AS 34.35.065 and AS 34.35.150 and any other similar applicable laws.
  
- c. During the term of this Lease, Lessee shall not allow the State's title to or interest in the Millsite Area to be encumbered by any judgments entered by a court of law against Lessee or Lessee's agents or contractors. If a lis pendens is filed arising from pending or actual litigation against Lessee or its agents or contractors that encumbers or purports to encumber the State's title to or interest in any lands within the Millsite Area lands, Lessee shall diligently and with best efforts seek to effect immediate removal of said lis pendens.

15. Temporary Closure.

- a. Lessee shall notify the Division in writing at least thirty (30) days prior to any planned Temporary Closure of ninety (90) days or longer. Lessee shall notify the Division of any unanticipated 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 comply with Subsection 15(b), and any event which would reasonably be anticipated to result in the resumption or abandonment of Millsite Operations. Millsite 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 Division may deem Millsite Operations to be permanently abandoned or ceased, and whereupon final Reclamation must commence unless otherwise agreed by the parties.
  - b. Lessee shall ensure that the Millsite Area and Facilities are maintained in a safe condition during a Temporary Closure and Lessee shall not allow the Millsite Area or Facilities to be degraded / eroded or Facilities to fall in a state of disrepair during or as a result of the Temporary Closure. Action shall be taken to prevent any impacts to ground water quality as a result of metals leaching or ARD. All collection, treatment and monitoring activities required under Millsite Operations shall continue to be performed under any temporary closure.
16. Abandonment or Cessation of Operations. Not later than 90 days after the permanent cessation or abandonment of Millsite Operations, Lessee shall notify the Division of the cessation of Millsite Operations.
17. Post-Lease Land Conditions. The parties agree that the conditions to which lands in the Millsite Area must be returned after cessation of Millsite Operations shall be as provided for in the current Reclamation Plan as approved by the Division. Because such conditions have formed and will continue to form a material basis for the planning, design, and conduct of both the Mining Operations and Millsite Operations described in and approved in the current approved Plan of Operations, any additional cost of incorporating and

effecting a significant change in such agreed upon post-Lease land conditions, including but not limited to significant topographic or slope changes not necessary to meet the objectives set forth in the current approved Reclamation Plan, such that the Reclamation Plan must be modified to accommodate such change, where such change does not arise or result from a material change in facts or conditions as understood at the time of approval by the parties or a change in law or regulation, shall be paid for by the requesting party.

18. Removal and Reclamation.

- a. The removal of all Facilities constructed or placed on the Millsite Area shall be in accordance with the approved Reclamation Plan. Unless otherwise provided in the Reclamation Plan, Lessee must reclaim land concurrently with the conduct of Millsite Operations.
- b. All Reclamation not accomplished concurrently must be initiated immediately upon a determination by the Division that a Temporary Closure has resulted in permanent abandonment or cessation pursuant to Subsection 15(a) herein, or within three years after permanent abandonment or cessation of Millsite Operations pursuant to Section 16 herein, whichever occurs first.

19. Termination for Breach.

- a. If Lessee shall breach any of the material terms, covenants, or conditions contained in this Lease and said breach, except as provided in Subsections 19(b) and 19(c) herein, shall not be cured to the satisfaction of the Division within sixty (60) days after written notice of such breach has been personally served or mailed by certified mail to Lessee and any assignee of this Lease for security purposes of which the Division has been previously notified by certified mail, the Division may commence an action for forfeiture of Lessee's interest in this Lease.
- b. If a material breach, except as provided in Subsection 19(c) herein, cannot be reasonably cured within sixty (60) days of the written notice, Lessee shall notify the Division within fourteen (14) calendar days of its receipt of the written notice that the

breach cannot be cured within sixty (60) days and shall notify the Division of Lessee's timetable to cure the breach. The timetable for cure is subject to Division approval, which approval shall not be unreasonably withheld. Lessee shall commence to cure the breach within thirty (30) days of the notice of breach, and shall proceed diligently and in good faith to continue to cure the breach to the satisfaction of the Division.

- c. If Lessee shall fail to timely pay the Annual Rent and said failure is not cured within ten (10) days after written notice of such failure has been personally served or mailed by certified mail to Lessee and any assignee of this Lease for security purposes of which the Division has been previously notified by certified mail, the Division may initiate an action for forfeiture of Lessee's interest in this Lease. If a good faith attempt to pay the Annual Rent is made and the payment is deficient solely due to the amount paid being less than the amount actually due, Lessee shall have thirty (30) days to cure such default after notice is given as described in this Section.
- d. Notice of breach or failure under this Section shall specify the default and the applicable Lease provision(s) and shall demand that Lessee cure the default to the satisfaction of the Division within the applicable timeframe.
- e. Except when the breach is the failure to pay the Annual Rent, Lessee may request, in writing, a hearing within fourteen (14) calendar days of Lessee's receipt of a notice of failure. Upon receipt of Lessee's request for a hearing, the time to cure the breach or breaches cited as the cause for proposed action for forfeiture of the interest in this Lease shall be extended until the Director issues a final decision on the proposed action for forfeiture of Lessee's interest in this Lease. Such extension shall not affect Lessee's obligation to proceed to cure any violation or any other responsibilities, obligations, or performance under this Lease or any other permit or authorization affecting the Millsite Area.
- f. The Division will hold the hearing provided for above in subsection (e) within ten (10) business days of the Division's receipt of Lessee's request unless mutually agreed

otherwise by the parties. The hearing shall be conducted informally and recorded electronically. The parties may appear in person or through counsel, present evidence and witnesses in their own behalf, and cross-examine opposing witnesses. The Director's decision may be appealed pursuant to 11 AAC 02 *et seq.*

- g. Upon termination or forfeiture of this Lease, the parties shall be relieved of further rights, obligations, and liabilities under this Lease except for rights, obligations, and liabilities incurred or accrued prior to the date of termination or forfeiture. The termination or forfeiture of this Lease shall not affect Lessee's obligations under the Plan of Operations or any other plan of operations, the Reclamation Plan, or any other permit, lease, or authorization issued by the Division or other agency of federal, state, or local government. If this Lease is terminated prior to completion of Reclamation, Lessee shall complete the requirements of the Plan of Operations or other approved plans of operations, the Reclamation Plan, and such other requirements as the Division may reasonably require to protect the health, safety, and welfare of the public.

20. Release of Interests.

- a. Upon receipt of the Division's written concurrence that all accrued Lease obligations and responsibilities have been satisfied with respect to the lands within the Millsite Area, the Lessee shall release and relinquish to the State the lands within the Millsite Area. During the term of this Lease, the Lessee may release and relinquish to the State at any time any State lands subject to this Lease that the Lessee determines are no longer necessary for the Lessee's Millsite Operations, by obtaining the Division's written concurrence described in this Section. Such release and relinquishment shall be effective as of the date of the Division's written concurrence. The Annual Rent shall be adjusted *pro rata* on an acreage basis to reflect the decrease in acreage leased pursuant to this Lease.
- b. Upon the relinquishment, expiration, termination, or forfeiture of any right or interest in this Lease or in the use of all or any part of the State lands subject to this Lease, Lessee shall promptly execute and deliver to the State a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities

as this Lease. The instrument of release must contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and express representations and warranties by Lessee that it is the sole owner and holder of the right or interest described therein and that such right or interest is free of all liens, equities, or claims of any kind requiring or that may require the consent of a third party claiming in whole or in part by, through, or under Lessee, for the valid release or extinguishment thereof, except for such that are owned or claimed by third parties that have joined in the execution of the release. The form and substantive content of each instrument of release must be approved by the Division, but in no event shall any such instrument operate to increase the existing liabilities and obligations of the Lessee furnishing the release.

21. Indemnification.

- a. Lessee assumes all responsibility, risk, and liability for all Millsite Operations and other activities conducted by Lessee in connection with the project described in the Project Description, including but not limited to construction, reclamation, and environmental and Hazardous Substance risks and liabilities, whether accruing during or after the term of this Lease. Lessee shall defend, indemnify, and hold harmless the State and its employees from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by or on behalf of Lessee on the Millsite Area, including acts or omissions of independent contractors, unless the sole proximate cause of the injury or damage is the negligence or willful misconduct of the State or anyone acting on the State's behalf. This indemnification shall survive the termination of the Lease.
  
- b. Lessee shall require that all indemnities obtained from all contractors and subcontractors on the Millsite Area be extended to include the State as an additional named indemnitee. Lessee shall further require that the State be named as an additional insured on all insurance policies taken out and maintained by all contractors

and subcontractors under their contracts with Lessee, or that an appropriate waiver of subrogation in favor of the State be obtained with respect to all such insurance policies to effect the same purpose.

22. Guaranty.

- a. FGMI and La Teko shall cause the Parent Entity of FGMI and La Teko, which is Kinross Gold Corporation ("Kinross"), to guarantee the performance by FGMI and La Teko of their obligations and responsibilities under this Lease, including the Reclamation Plan and all permits and authorizations issued by federal, state, and local governments. The guaranty shall be in the form shown in Exhibit C hereto.
- b. FGMI and LaTeko shall cause Kinross to provide to the Division an opinion of counsel dated the same day as the date of execution of this Lease and satisfactory in form and substance to the Division stating:
  - i. Kinross is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario;
  - ii. Kinross has full power and authority to execute said guaranty of the performance of FGMI and LaTeko of their obligations and responsibilities pursuant to this Lease, which power and authority have been duly authorized by all proper and necessary corporate action, and the execution, delivery, and performance by the guarantor of its obligations under this Lease do not require any shareholder approval, and do not contravene any law, regulation, rule, or order binding upon it or its Articles of Incorporation or Bylaws; and
  - iii. Kinross' execution of said guaranty of the performance of all obligations and responsibilities pursuant to this Lease constitutes the valid, legal, and binding obligation of Kinross enforceable in accordance with its terms, subject to (1) applicable bankruptcy, insolvency, moratorium, or other similar laws affecting the enforcement of creditors' rights generally; (2) laws imposing duties to act in good faith or in a commercially reasonable manner, and (3) laws respecting or affecting the procedural or remedial provisions of this Lease.
- c. FGMI and LaTeko shall cause Kinross to provide to the Division on the date of execution of this Lease a copy of Kinross' most recent balance sheet, dated not more

than one year prior to the date of execution of this Lease. The balance sheet must be certified by a reputable accounting firm authorized to do business in the state or province of Kinross' main place of business or province of incorporation, including certifications that:

- i.* The balance sheet fairly presents the financial condition of Kinross at such date in accordance with generally accepted accounting principles; and
- ii.* There are no liabilities, direct or indirect, fixed or contingent, of Kinross as of the date of such balance sheet which are not reflected therein or in the notes thereto other than liabilities or obligations not material in amount which are not required to be reflected in a corporate balance sheet prepared in accordance with generally accepted accounting principles.

23. Modifications.

- a. Any request by Lessee for modification of this Lease must be made by written application to the Division. The application must contain a detailed description, justification, maps, plats, and cross-sections as necessary, and copies of concurrent applications for modification of the Plan of Operations or other approved plan of operations, Reclamation Plan, and any other affected permits or authorizations. The Division may request further information and data based on the individual modification requested. For any major or significant modification to this Lease, including but not limited to an increase in Millsite Area acreage, a decrease in Millsite Area acreage greater than forty (40) acres cumulative except where such decrease is the result of relinquishment upon completion of Reclamation and all other accrued obligations, or any change in use, the Division, at its option and in its discretion or at Lessee's request, may give public notice, solicit public comment, and hold public hearings. No modification is effective until approved in writing by the Division.
- b. Any revisions, changes, or updates to other permits or authorizations issued by federal, state, or local governments that affect the Millsite Area are automatically incorporated into the responsibilities, requirements, and obligations of this Lease unless otherwise provided in writing by the Division.

24. Conveyance by State.

- a. The State may convey all or a portion of its ownership of the Millsite Area at any time to any entity allowed by law. Notice of such conveyance shall be given by certified mail to Lessee no later than thirty (30) days prior to such conveyance. If all or a portion of the State's ownership of the Millsite Area is conveyed or transferred to any other entity the conveyance shall identify this Lease as an encumbrance on the interest conveyed and said conveyance shall be subject to this Lease.
- b. Neither parties' rights, obligations, or responsibilities under this Lease shall be increased or decreased by virtue of any conveyance unless mutually agreed otherwise by the parties. Upon any conveyance of the Millsite Area by the State the provisions of AS 38.05 and 11 AAC that are in effect on the date of such conveyance and which govern the Lease and the conduct of Millsite Operations hereunder shall be deemed to be incorporated into this Lease as if fully set forth herein and shall continue to govern the administration, management, and operation of this Lease.

25. Transfer by Lessee.

- a. Lessee may Transfer all or part of its interest in, to, or under this Lease solely as provided in this Section 25.
- b. Lessee may Transfer all or part of its interest in, to, or under this Lease only in conjunction with a similar Transfer of all or part of its interest in, to, or under some or all of the valid Mining Rights.
- c. No Transfer permitted by this Section shall, as between the State and Lessee, relieve Lessee of any liability, whether accruing before or after such Transfer, which arises out of Millsite Operations conducted prior to such Transfer.
- d. Lessee may Transfer less than its entire undivided interest in, to, or under this Lease if such Transfer covers all lands within the Millsite Area, but Lessee may not Transfer

any interest in, to, or under this Lease that covers less than all of the lands within the Millsite Area.

- e. Except for a Transfer pursuant to Subsection 25(g) below, no Transfer of any interest in, to, or under this Lease is effective without the express written approval of the Division. The Division is not bound by any Transfer made without its express written approval.
- f. The Division Director will approve a Transfer of this Lease or any interest therein if this Lease is in good standing and the party to whom Lessee proposes to Transfer this Lease or any interest therein:
  - i. is qualified to assume or acquire all other permits and authorizations necessary to conduct Millsite Operations;
  - ii. is not on notice of default by any governmental regulatory agency on any lease, reclamation bond, or other permit within Alaska, and is not subject to an enforcement action, of which the Division Director has knowledge, for default or breach on any mining lease, reclamation bond, permit, or similar authorization issued by an entity other than the State, including the United States and other states;
  - iii. has committed in writing to be bound by this Lease to the same extent as Lessee; and
  - iv. provides to the Division all proofs of insurance, bonds, or undertakings required by this Lease, including any insurance, bonds, or undertakings required under the Plan of Operations or any other approved plans of operation, the Reclamation Plan, or other permit or authorization then in effect relating to Millsite Operations.
- g. Transfer of all or any of Lessee's interest in, to, or under this Lease does not relieve the Parent Entity or any succeeding guarantor of the obligations of the guaranty unless the requirements for such Transfer of the guaranty as provided in the Parent Entity Guaranty attached hereto as Exhibit C have been satisfied.

- h. If the Transfer is the grant of a security interest by deed of trust, mortgage, pledge, lien, or other encumbrance in or on all or part of Lessee's interest in, to, or under this Lease to secure a loan or other indebtedness of Lessee in a bona fide transaction, such security interest shall be subject to the terms of this Lease. Lessee must notify the Division by certified mail of any security interest granted in Lessee's interest in, to, or under this Lease within ten (10) days of the granting of said security interest. Until such notice is received, the Division is under no obligation to send any notices relating to this Lease to the security interest holder. Upon any foreclosure or other enforcement of a security interest granted in compliance with this subsection, the acquiring third party shall, upon compliance with the requirements of Subsection 25(f) above, be deemed to have assumed the position of Lessee with respect to this Lease.
- i. In the event of a Transfer by Lessee of less than its entire undivided interest in, to, or under this Lease, Lessee and its transferee shall act and be treated as one party, except that the Division shall be required to deliver copies of all notices permitted or required under this Lease to all parties holding interests in this Lease pursuant to Transfers which have been approved by the Division as provided in this Section or of which the Division has received notice pursuant to Subsection 25(h) above.

26. Corporate Authority; Authorized Representatives.

- a. Each Lessee shall deliver to the Division upon the execution of or approval of transfer of interest in this Lease a certified copy of a resolution of its board of directors authorizing execution or acceptance of this Lease and naming the officers that are authorized to execute or accept this Lease on behalf of the corporation.
- b. The Division Director and the person executing or accepting transfer of interest in this Lease on behalf of Lessee will be the authorized representatives of the respective principals for the purposes of administering and enforcing this Lease. The State or Lessee may change the authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with Section 27

below. Upon commencement of Millsite Operations or approval of transfer of interest in this Lease, Lessee shall also designate by name, job title, and address, an agent and alternate agent who will be present in Alaska during all Millsite Operations.

27. Notice.

- a. All notices or other communications required or permitted under this Lease shall be in writing and shall be given
- i. by personal delivery to the respective addressee;
  - ii. by electronic communication, with the original paper document sent immediately by registered or certified mail, return receipt requested;
  - iii. by registered or certified mail, return receipt requested; or
  - iv. by a commercial courier service that maintains a record of delivery.

Until changed as provided for herein, all such notices shall be sent to the following respective addresses:

The State:  
Director  
Division of Mining, Land and Water  
Department of Natural Resources  
550 W. 7th Avenue, Suite 1070  
Anchorage, AK 99501-3579

or

Facsimile: (907) 269-8904  
(Telephone: (907) 269-8600)

FGMI and LaTeko:

*for personal delivery:*  
Fairbanks Gold Mining, Inc.  
#1 Fort Knox Road  
Fairbanks, Alaska 99712  
Attention: General Manager

*for mail delivery:*  
Fairbanks Gold Mining, Inc.  
P.O. Box 73726  
Fairbanks, Alaska 99707-3726  
Attention: General Manager

or

Facsimile: (907) 490-2290  
(Telephone: (907) 488-4653)

- b. Any notice shall be effective and deemed delivered:
- i.* if by personal delivery or commercial courier service, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours;
  - ii.* if by electronic communication, on the day of receipt at the office of the addressee if received during normal business hours or on the next business day following receipt if not received during normal business hours; and
  - iii.* if solely by mail, on the day of actual receipt at the address of the recipient if delivered by the postal service during normal business hours or on the next business day following receipt if not delivered during normal business hours.

28. Statutes and Regulations. This Lease is subject to all applicable federal and state statutes, including federal, state, and local statutes, regulations, and ordinances in effect on the Effective Date, and, to the extent constitutionally permissible, new statutes, regulations, and ordinances enacted or promulgated after the Effective Date, and changes to existing statutes and regulations made after the Effective Date.

29. Payment to Multiple Parties. In the event that payments initially due to the State under this Lease become payable to two or more parties due to conveyance of lands within the Millsite Area by the State, all parties to whom payment is due shall execute and deliver to Lessee a document executed by all of those parties designating the amounts of payment due each party and the name and address of each party to whom to payment is due. Until Lessee receives such designation, Lessee shall continue to make all payments to the Division and Lessee shall have no responsibility to see to the division of payments made to the Division in accordance with the provisions of this Section.

30. Denial of Warranty. The State makes no warranties whatsoever, express or implied, including but not limited to any warranties regarding any prior encumbrances on or conditions of the Millsite Area, any warranties regarding title to the Millsite Area, any warranties regarding access to the Millsite Area, any warranties regarding quiet enjoyment of the Millsite Area, or any warranties regarding fitness of the Millsite Area for any use. Lessee is not entitled to any refund of prior Annual Rent(s) paid that are excess due to failure of or deficiency in title.
31. Recording. Upon the execution, acknowledgment, and delivery of this Lease, FGMI and LaTeko at their sole cost may cause this Lease or a memorandum of this Lease signed by all parties hereto to be recorded in the Fairbanks Recording District.
32. Venue; Controlling Law. The venue for any appeal or civil action relating to this Lease shall be in the Fourth Judicial District, state of Alaska. This Lease shall be interpreted and construed in accordance with the laws of the state of Alaska.
33. Waiver or Forbearance. The receipt or acceptance of the Annual Rent by the Division, with or without knowledge of any breach of the Lease by Lessee, or of any default on the part of Lessee in the observance or performance of any of the terms, conditions or covenants of this Lease, shall not be deemed to be a waiver of any of the Division's rights concerning any other defaults unless the contrary effect is expressed in writing and signed by the Division. Any waiver by the Division of any default of Lessee's performance under this Lease must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease. No delay or omission in the exercise of any right or remedy of the Division on any default by Lessee shall impair such right or remedy or be construed as a waiver.
34. 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 Lease, nor constitute any cause of action in favor of either party as against the other.

35. No Third Party Beneficiaries. The parties to this Lease do not intend to create any rights under this Lease that may be enforced by third parties for their own benefit or the benefit of others.
36. Merger Clause. This Lease, including all Exhibits hereto, contains the entire agreement of the parties and is binding upon the parties, their successors and assigns.
37. Attorney's Fees. If either party commences a judicial proceeding against the other party rising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party full reasonable attorney's fees and costs of suit.
38. Successors. This Lease and each and every provision therein shall be binding on and inure to the benefit of the parties and their successors and assigns.
39. Section Titles. The section titles in this Lease are for convenience only and have no other significance.

**STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES:**

By:   
Printed Name: Robert Loeffler 1/19/2001  
Title: Director  
Division of Mining, Land and Water

Date: JANUARY 20, 2001  
Effective Date of Millsite Lease

**LESSEE:**

Fairbanks Gold Mining, Inc.  
a Delaware corporation

By:   
Printed Name: Thomas E. Irwin

Date: 1/19/01

Title: Vice President/General Manager

LaTeko Resources, Inc.  
a Nevada corporation

By: [Signature]  
Printed Name: Thomas E. Irwin  
Title: Vice President/General Manager

Date: 1/19/01

ACKNOWLEDGMENTS

State of Alaska )  
 ) ss.  
3rd Judicial District )

The foregoing instrument was acknowledged before me this 19th day of January, 2001, at Anchorage, Alaska, by Richard A. LeFebvre in his capacity as Director, Division of Mining, Land and Water, Department of Natural Resources, State of Alaska.

[Signature: Shauna Tumaiden]  
Notary in and for  
the State of Alaska  
My commission expires: \_\_\_\_\_

State of Alaska )  
 ) ss.  
3rd Judicial District )

The foregoing instrument was acknowledged before me this 19th day of January, 2001, at Anchorage, Alaska, by Thomas Irwin, the VP/Gen. Mgr. of Fairbanks Gold Mining, Inc., a Delaware corporation, on behalf of the corporation.

[Signature: Shauna Tumaiden]  
Notary in and for  
the State of Alaska  
My commission expires: \_\_\_\_\_

State of Alaska            )  
                                          ) ss.  
3rd Judicial District    )

The foregoing instrument was acknowledged before me this 19th day of January, 2001, at Anchorage, Alaska, by Thomas Irwin, the V.P./Gen. Mgr. of LaTeko Resources, Inc., a Nevada corporation, on behalf of the corporation.

Sharon Tummaider

Notary in and for  
the State of Alaska

My commission expires: \_\_\_\_\_

My Commission Expires  
February 12, 2001

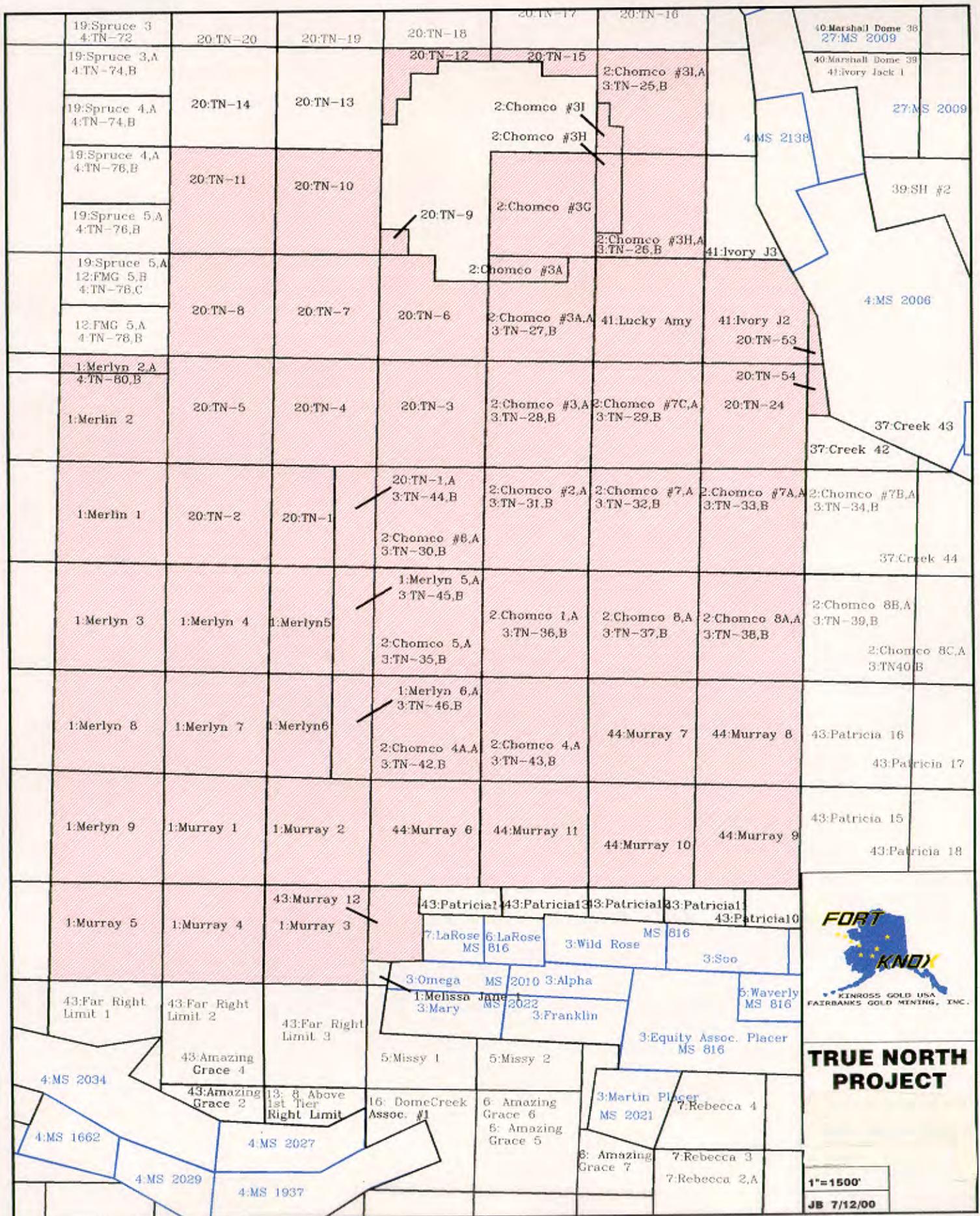


EXHIBIT A: MILLSITE AREA LAND DESCRIPTION

## EXHIBIT B

### ASSESSMENT AND PROTECTION OF CULTURAL RESOURCES

#### Assessment and Protection of the Davison Ditch and other Cultural Resources:

The current placements of the rock dumpsites as noted on the True North Project's Wetlands Map, dated August 18, 2000 have been reviewed by the State Historic Preservation Officer (SHPO), Office of History and Archaeology. From a cultural resources standpoint, the proposed placements protect the resources by avoiding the Davidson Ditch (LIV-073). In general, SHPO's concerns for all the resources within the Millsite Lease boundary area remain, whether the project is under state or federal jurisdiction. Under the Alaska Historic Preservation Act, these resources are to be protected from destruction, injury, removal and appropriation [41.35.200(a)]. Within the area of potential effect of the Millsite Lease boundary, exist five historic properties determined eligible for listing in the National Register of Historic Places. The following stipulations address data recordation, management and protection of these significant historic properties.

- 1) **Maps.** Two maps shall be submitted to the Office of History and Archaeology (OHA). The millsite lessee shall obtain a copy of the original map(s) of the historic Davidson Ditch. A project map shall also be prepared according to Historic American Buildings Survey/Historic American Engineering Record (HABS/HAER) Level I standards. This map shall delineate the project area, the Millsite Lease boundary area, and the location of each historic property found within and adjacent to the Millsite Lease boundary area. The map shall include the portion of the ditch, which weaves in and out of the Millsite Lease boundary area and the location of all known associated features, structures, and buildings.
- 2) **Mitigation for the National Register eligible properties shall include:**
  - A. **Davidson Ditch (LIV-073)**
    1. HABS/HAER photographs shall be taken of a representative of each class of feature, structure, and building.
    2. As-built drawings or HABS/HAER drawings shall be produced of a representative of each class, structure, and building.
    3. Designated crossings of the Davidson Ditch shall be identified, and the millsite lessee shall notify the archaeologist who will record any significant feature, structure or building which will be affected by the crossing. The archaeologist shall contact the OHA prior to fieldwork. Upon completion of mining operations, the crossings shall be reclaimed to match the contours of the remaining original ditch to the satisfaction of OHA.

**B. Chomco Cabin (LIV-092)**

1. HABS/HAER drawings and photographs of this property shall be made.
2. An architectural data form shall be written for the cabin, the privy, the Davidson Ditch in this vicinity, and any other feature deemed worth recording.

**C. Spruce Creek Camp (LIV-253)**

1. Annual site visit shall be conducted to monitor if any impacts have occurred to this site (see Stipulation 8).

**D. Little Eldorado Penstock (LIV-252)**

1. HABS/HAER drawings and photographs of the penstock shall be produced.
2. An architectural data form shall be written for the penstock.

**E. Mother Lode Mine (LIV-259)**

1. HABS/HAER drawings and photographs of this property shall be produced.
2. An architectural data form for the main cabin and any other feature deemed worth recording shall be written.

**3) Level of HABS/HAER documentation**

Unless otherwise stipulated in the text, all drawings shall be produced at Level I. The written documentation shall be recorded at Level IV. Photographs shall be 35mm black and white, Level IV.

**4) Collection and Curation of Artifacts**

Any unusual or unique artifacts encountered during this mitigation process shall be collected by the archaeologists in consultation with the OHA and the permittee. Artifacts shall be offered to the following repositories in descending order, University of Alaska Museum in Fairbanks, Fairbanks Community Museum, and the Pioneer Museum at Alaskaland.

**5) Submission of the HABS/HAER documentation**

- A. Drafts of drawings of as-builts, architectural data forms, and photographs of the historic properties listed in Stipulation 2 shall be submitted by July 15, 2001.
- B. Should additional documentation be required, the OHA shall review the documentation and notify the millsite lessee within ten days of receipt.
- C. Final submission of photographs to OHA and the University of Alaska at Fairbanks Archives shall consist of one set of contact sheets and the negatives each. Negatives and contact sheets shall be processed archivally.
- D. Final submission of architectural data forms to OHA shall consist of the original and the three copies of each.
- E. Plans and As-builts:
  1. Any as-builts or historic drawings shall be reproduced on mylar and reduced to 8 ½" x 11". The mylar original and two paper copies shall be submitted. A full-size blue line shall also be submitted if the drawing is in good enough shape.

2. Architectural renderings (including maps of Stipulation 1) shall include the original mylar and one mylar copy and two paper copies reduced to 8 1/2" x 11".
3. Final submission of HABS/HAER documentation shall take place within six months of completion of the 2001 field season.

**6) Mitigation Report**

- A. The draft mitigation report shall include a synopsis of the overall project; descriptions of the five historic properties; descriptions of the mitigation measures for the properties; 8 1/2" x 11" copies of the drawings, plans, maps, photographs and architectural data forms; and conclusions.
- B. The mitigation report is not intended to duplicate the Cultural Resources Inventory Report of October 1996.
- C. A draft mitigation report shall be submitted to the OHA within six months of completion of the 2001 field season.
- D. Comments by the OHA shall be given to FGMI no later than 30 days after receiving the draft.
- E. Within 50 days, FGMI shall provide three copies of the final report to the OHA.

**7) Discovery**

If cultural or paleontological resources are discovered as a result of or during the activities authorized by this permit, all work that might disturb these resources shall cease. The Office of History and Archaeology shall be contacted immediately, so that compliance with cultural resource procedures may begin. If vandalism is discovered to have occurred to these resources, the OHA shall be notified immediately.

**8) Monitoring**

Annual monitoring of the five historic properties listed in Stipulation 2 shall be conducted to note impacts from vandalism or any land altering activities. An annual report, submitted each December to the OHA, shall discuss the results of the monitoring. A draft of the annual report shall be provided at the True North Project annual meeting required under Section 12b of Millsite Lease ADL 416509.

**9) Change of Scope of Work**

If there is a change to the scope of work of the True North Project, it will be necessary for OHA to conduct another review. OHA will need to assess the impacts to cultural resources by the changes.

## **GUARANTY OF KINROSS GOLD CORPORATION**

The State of Alaska (“the State”), acting by and through its Department of Natural Resources (Divisions of Land and Mining) has requested that Kinross Gold Corporation (“Kinross”) give a guaranty of Fairbanks Gold Mining Inc.’s (“FGMI”) obligations under the True North Millsite Lease (“Lease”) effective as of January 20, 2001, by and between the State and FGMI.

Kinross at the request of FGMI and the State hereby irrevocably and unconditionally guarantees to the State the full performance, fulfillment and satisfaction of all of the duties, obligations and liabilities of FGMI arising under or pursuant to the Lease.

If for any reason any duty, obligation, or liability of FGMI under the Lease is not performed, fulfilled, or satisfied by FGMI within the time or in the manner required, KINROSS shall perform, fulfill, or satisfy (or cause to be performed, fulfilled, or satisfied) each of such duties, obligations, and liabilities; provided, however, that (1) the State must first make demand upon FGMI before making demand on KINROSS, (2) if FGMI in good faith denies that any such duty, obligation, or liability exists or has not been performed, fulfilled, or satisfied by FGMI within the time or in the manner required, the State must establish its rights in the administrative hearing provided for in Section 18 (Termination for Breach) of the Lease as against FGMI before demanding performance, fulfillment, or satisfaction from KINROSS, provided, however, that KINROSS shall be entitled to the benefit of any stay obtained by FGMI under Alaska law, including but not limited to a stay obtained under 11 AAC 02 or any Alaska rule of court but specifically excluding a stay imposed under bankruptcy law, and (3) KINROSS shall be entitled to any and all benefits arising by virtue of any defense, set-off, counterclaim, or cross-claim available to FGMI except failure of consideration or bankruptcy of FGMI (collectively hereinafter referred to as “defense”) except that KINROSS shall be bound by any prior judicial determination, if any, concerning any such defense asserted by FGMI.

KINROSS agrees that this Guaranty shall not be discharged limited, or reduced except by complete performance of the duties, obligations, and liabilities of FGMI guaranteed hereby or upon the full and complete replacement hereof with a guaranty in the same form executed by a guarantor (1) with a debt to equity ratio of no more than 1 as revealed by the succeeding guarantor's most current year's annual financial statement audited by a certified public accountant prepared in accordance with generally accepted accounting principles and providing an unqualified opinion and (2) having or capable of having (as shown by the succeeding guarantor or the reasonable satisfaction of the State) a credit rating from Standard & Poor's or a comparable rating agency equal to or better than BBB.

The provisions of the Lease and other state authorizations identified therein may be changed as allowed by law without the consent of or notice to KINROSS and this guaranty shall guarantee the performance of the Lease as changed. KINROSS warrants that it has adequate means to obtain from FGMI on a continuing basis information concerning the Lease and other authorizations identified therein and that it is not relying upon the State to provide such information, now or in the future.

This guaranty shall not be affected by the State's delay or failure to enforce any of its rights except to the extent such delay or failure gives rise to a defense available to FGMI.

If the Lease terminates and the State has any rights against FGMI with respect to any duty, obligation, or liability of FGMI arising under the Lease the State can enforce those rights against KINROSS pursuant hereto.

KINROSS waives any right it may have to require the State to proceed against or exhaust any bond or other security that the State holds from FGMI or pursue any other remedy in the State's power. Until all FGMI's obligations under the Lease have been

discharged in full, KINROSS has no right of subrogation against any bond or other security that the State may hold. KINROSS waives all presentments, notices of dishonor, notices of nonperformance, demands for performance except as specified herein, protests, notices of protest, and notices of acceptance of this Guaranty.

If FGMI disposes of its interest in the Lease in whole or in part, "FGMI" as used in this guaranty, shall mean FGMI's successors or FGMI and concurrent interest holders, as applicable.

KINROSS hereby waives any defense based upon any act or omission of the State (except acts or omissions in bad faith) which materially increases the scope of KINROSS' risk, including negligent administration of the Lease and other authorizations identified therein.

This Guaranty shall be in addition to and without prejudice to any other security given by anyone (including but not limited to FGMI) to the State and held at any time by the State in connection with any such duty, obligation, and liability.

This Guaranty shall be interpreted, construed, and enforced in accordance with the laws of the State of Alaska. Venue for any civil action relating to this guarantee shall be in the Fourth Judicial District, State of Alaska.

This Guaranty shall be binding upon KINROSS and the successors and assigns of KINROSS and shall inure to the benefit of the State and its successors and assigns. All notices required or permitted to be given pursuant to this Guaranty shall be in writing and shall be addressed respectively as follows:

KINROSS: Kinross Gold Corporation  
52nd Floor, 40 King St. West  
Toronto, Ontario M5H 3Y2

Attn: The Secretary

or

Facsimile: (416)363-6622

Telephone: (416)365-5123

THE STATE: State of Alaska

Department of Natural Resources

Division of Mining

Attn: The Director

3601 "C" Street, Suite 880,

Anchorage, AK 99501

or

P.O. Box 107016

Anchorage, Alaska 99510-1853

or

Facsimile: 907-563-1853

Telephone: (907) 762-2165

All notices shall be given (a) by personal delivery to the addressee, (b) by electric communication, with a confirmation sent by registered or certified mail return receipt requested, or (c) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours, (b) if by electronic communication, on the next business day following the day of receipt (said day of receipt being the day of receipt at the office of the recipient) of the electronic communication, and (c) if solely by mail, on the next business day after actual receipt.

This writing is intended by the parties to be the final expression of this Guaranty, and is intended as a complete and exclusive statement of the terms of this Guaranty.

There are no conditions to the full effectiveness of this Guaranty other than those contained therein.

EXECUTED this 15th day of January, 2001 but effective for all purposes as of the Effective Date (as defined in the Lease) of the Lease.

ATTEST

KINROSS GOLD CORPORATION

By: Michele Presic

By: John Ivany

MUNICIPALITY OF METROPOLITAN TORONTO)

) ss.

PROVINCE OF ONTARIO )

THIS CERTIFIES that on the 15<sup>th</sup> day of January, 2001, at Toronto, Ontario, the foregoing instrument was acknowledged before me by John W Ivany, the Executive Vice President of KINROSS GOLD CORPORATION, an Ontario corporation, on behalf of said corporation.

GIVEN UNDER MY HAND and official seal the day and year last above written.

Shelley Riley  
Notary Public in and for: CITY OF TORONTO, ON  
My commission expires: MAY 12, 2003

SHELLEY MARGARET RILEY, Notary Public,  
City of Toronto, limited to the attestation of instruments  
and the taking of affidavits, for Kinross Gold Corporation,  
and its subsidiaries. Expires May 12, 2003.