

# 2010 ANNUAL ACTIVITY REPORT



February 2010

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## 1.0 INTRODUCTION

Fairbanks Gold Mining, Inc. (FGMI), a wholly owned subsidiary of Kinross Gold Corporation, has prepared this annual report to comply with the conditions described in Section 11.b. of the Amended and Restated Millsite Lease ADL Nos. 414960 and 414961 and the ADEC Solid Waste Permit 0031-BA008 for the Fort Knox Mine.

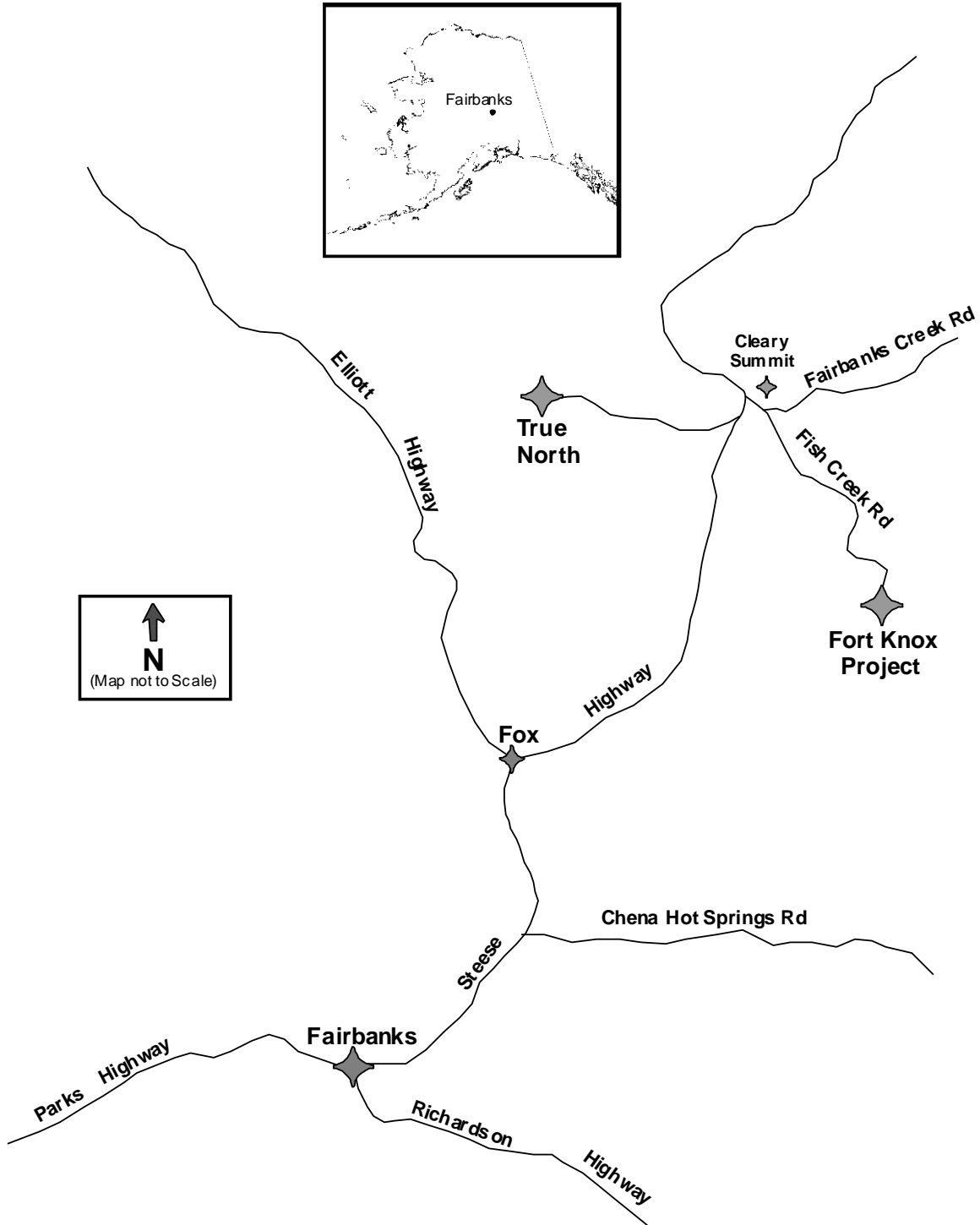
The Fort Knox mine includes the Fort Knox open pit mine, mill, tailings storage facility, water storage reservoir and the Walter Creek heap leach facility. The True North open pit mine is being reclaimed. These facilities are located within the Fairbanks North Star Borough, approximately 25 miles northeast of Fairbanks, Alaska (Figure 1).

The milling and mining operations at Fort Knox continue to operate 24-hours a day, 365 days a year. As of the end of 2009 FGMI employed 467 personnel. Fort Knox produced 263,260 gold equivalent ounces in 2009.

This report describes the permitting, mining, milling, heap leach and reclamation activities during calendar year 2009 and planned activities for 2010.



**Figure 1: Facility Locations**



Map provided by ADF&G from Arctic Grayling and Burbot Studies at the Fort Knox Mine, 2008

## 2.0 SUMMARY OF ACTIVITIES

In 2009, Fort Knox had a range of activities underway in the areas of production, construction, exploration and permitting. In summary these activities included:

- Completed construction of the in-heap storage pond, CIC building, and barren and pregnant solution lines for the Walter Creek Valley Fill Heap Leach;
- The first Heap Leach production was realized;
- Dewatering of Phase 7 was initiated;
- There were major upgrades to the mill gravity circuit and SAG drive;
- A pumping system for discharge of tailings from the mill was constructed;
- Construction was initiated on the Assembly Line Preventative Maintenance (ALPM) shop to support maintenance of the haul trucks;
- The explosives magazine was relocated and upgraded;
- Tailings dam raise studies and geotechnical investigations were conducted in preparation for permitting the planned dam raise; and
- Final reclamation of True North began.



Construction is underway on the ALPM shop

In 2010, the major activities planned include:



The new D-11 dozer in use on the heap leach

- Complete construction of stage 1 and construct stage 2 of the Walter Creek Valley Fill Heap Leach;
  - Acquire permits for the construction of the TSF dam raise from ADNR and ACOE;
  - Excavate and reconstruct the top 22 feet of the TSF dam reversing the core and preparing for additional raises in 2011 and 2013;
  - Acquire 32 acres from the NOAA withdrawal for placement of waste rock;
- Upgrade the Phase 6 dewatering system with a new lift station;
- Complete the revision and update of the Fort Knox reclamation and closure plan and obtain approvals of the plan from ADNR, ADEC and ACOE;
- Complete the revision and update of the True North reclamation and closure plan and obtain approvals of the plan from ADNR; and
- Complete all major earthwork activities, removal of buildings and initial revegetation activities at True North.



### 3.0 PERMITTING ACTIVITIES

The following is a list of the approved plans and permits issued to FGMI in 2009:

- The APMA 9156 Fort Knox Exploration Multiyear permit was submitted and approved for 2010 to 2014;
- An approved APMA for True North reclamation activities;
- The Initial Application Package for construction of a 52-foot modified centerline raise of the existing tailings dam was submitted to the agencies in April and followed with the preliminary design package;
- The Operations and Maintenance (O&M) Manual for the Walter Creek Heap Leach was revised and the updated report was submitted to the Alaska State Dam Safety Engineer; and
- A wetlands delineation was completed and submitted to the ACOE for characterization of areas that could potentially be impacted by the TSF raise.

The following is a list of the planned permitting activities for FGMI in 2010:

- Permit the TSF modified centerline raise which requires permit modifications from the ADNR and the ACOE;
- Permit the processing of ore on Phase 1 and Phase 2 of the heap leach facility;
- Revise and update the Fort Knox reclamation plan and obtain plan approval from ADNR, ADEC and ACOE; and
- Revise and update the reclamation and closure plan for True North and obtain approval from ADNR.



### 4.0 LAND STATUS

As the pit continues to expand, space for placement of waste rock is an important consideration. Discussions are ongoing with NOAA and BLM to acquire approximately 32 additional acres from the NOAA Withdrawal for waste rock storage. The relinquishment by NOAA from their Withdrawal is anticipated to be finalized in 2010. The procedure for making this land available to Fort Knox will be the same as in 2008, when NOAA and BLM released 63 acres from the NOAA Withdrawal that were needed by FGMI for expansion of the Fort Knox pit.

## 5.0 SAFETY

### People

As of December 2009, FGMI reached 2.82 million man hours and three years without a lost time incident. Fort Knox employees worked approximately 1,041,376 man hours in 2009.

Safety is the first priority for Fort Knox each and every day. Ongoing safety initiatives, including employee-driven safety teams such as See it Own it Solve it (SOS), STOP audits (field level risk assessment), and awards programs, focus on and reward safe behavior.

### Mine Access

FGMI continues to maintain the mine access roads from the Steese Highway to Fort Knox and True North (Figure 1). The road surface is graded to insure a smooth running surface and proper drainage. During the winter months, the roads are kept free of snow and are sanded as necessary to maintain safe operating conditions. In the summer months, FGMI strictly enforces the *Fugitive Emissions of Particulate Matter Control Plan* of June 2002 that was approved by the ADEC. Calcium chloride and water are the dust suppressants used on the Fish Creek, Barnes Creek, Walter Creek and Twin Creek roads (Figure 2). These measures have limited the amount of fugitive dust on the mine-site and access roads. There were no complaints of road dust received in 2009. Similarly, there were no complaints of noise in 2009.

FGMI Security continues to patrol the mine site and access roads to ensure the safety of our employees, contractors, guests, and the public. Access is limited based on need and function. Safety training is tailored in a similar manner.

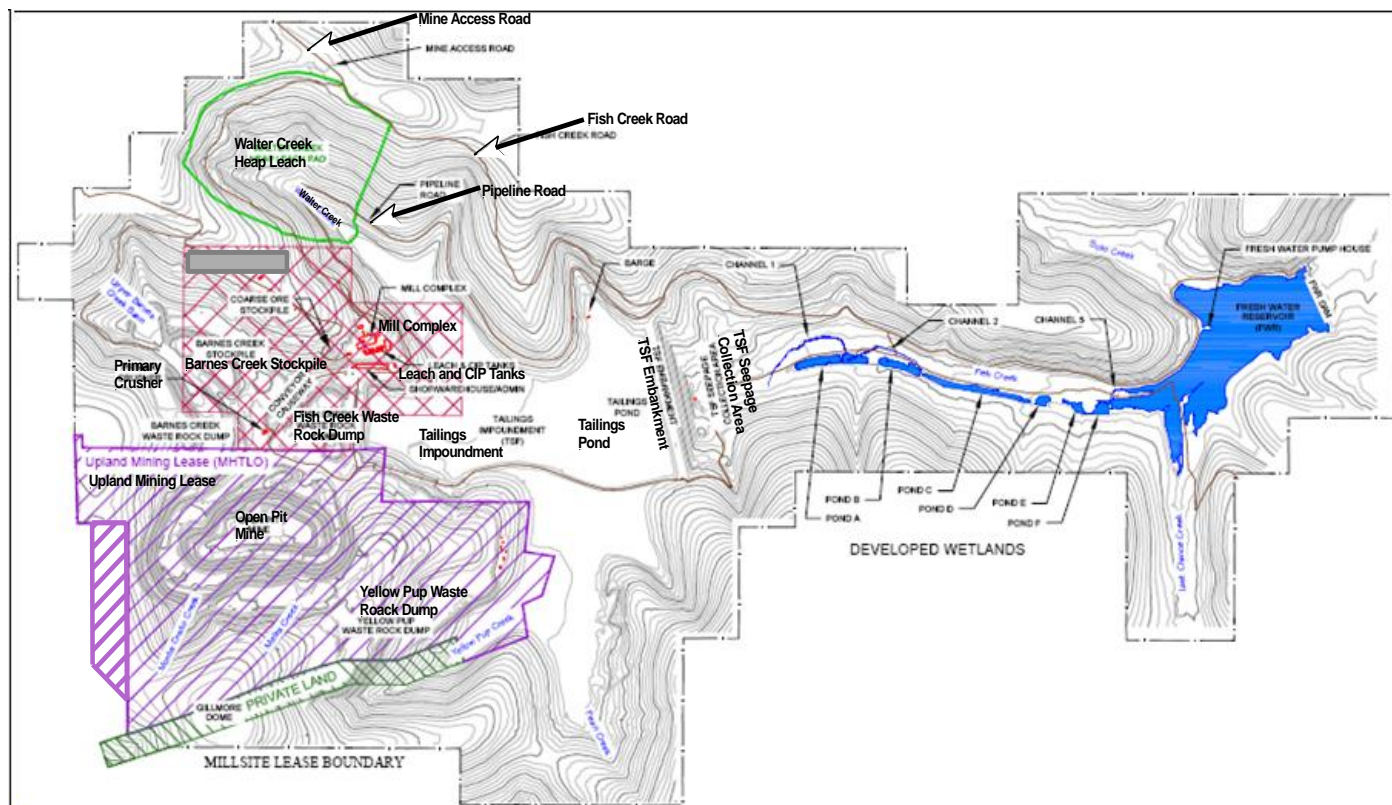
### Recreational Trails

The Gilmore Trail in the vicinity of the Fort Knox west pit is closed to ensure public safety. The closure is necessitated due to the expansion of the pit to the west (Phase 7).



Employees do a pre-operational inspection before their shift

**Figure 2: Local Roads and Mine Facilities**



## 6.0 MINE OPERATIONS

### Pit Production

In 2009, FGMI mined 48.8 million tons of ore and waste from the Fort Knox pit with an average production rate of 133,753 tons per day (Table 1).

**Table 1: Fort Knox Annual Mining Rates**

Year	Ore (Million Tons)	Transition Grade Ore (Million Tons)	Leach Grade Ore (Million Tons)	Waste (Million Tons)	Total (Million Tons)
1996	.96	.36	0	15.36	16.68
1997	12.57	4.88	0	14.93	32.38
1998	13.83	5.27	0	14.19	33.29
1999	14.10	4.09	0	12.16	30.35
2000	15.51	2.20	0	17.89	35.61
2001	12.09	1.24	0	12.62	25.96
2002	11.73	.86	0	12.00	24.58
2003	11.08	2.09	0	17.43	30.60
2004	10.80	6.80	0	24.09	41.68
2005	13.23	5.86	0	44.16	63.25
2006	12.39	3.68	0	35.00	51.06
2007	11.71	10.31	0	23.92	45.98
2008	12.78	3.82	13.3	16.40	46.32
2009	11.96	4.11	12.70	20.03	48.82
<b>Total</b>	<b>164.73</b>	<b>55.57</b>	<b>26.00</b>	<b>280.18</b>	<b>526.56</b>



Mining operations continue 24-hours a day, 365-days per year at the Fort Knox Mine. Ore and waste are mined using standard drilling and blasting techniques with shovel and haul truck fleets to move the material. Blast holes are sampled and assayed for production grade control purposes and material is hauled to the rock dumps, primary crusher, heap leach, or low-grade stockpiles depending on grade.

In 2009, mining within the Fort Knox open pit occurred in Phase 6 and in Phase 7 (Figure 3). FGMI expanded the existing Fort Knox pit along the West edge which is the Phase 7 expansion. This area adds 63.9 million tons to the plan. Phase 7 stripping commenced in the 4<sup>th</sup> quarter of 2008. Stripping will continue until late 2011 at which point sustained ore feed for the mill is achieved. Phase 7 will allow the Fort Knox pit to continue operations into 2016. Stockpile material will continue to be placed on the Walter Creek Heap Leach facility until 2021. The mill is scheduled to operate into 2016 when mill grade material is depleted from Phase 7.

**Figure 3: Fort Knox Pit Phases**



The planned pit production for 2010 is summarized in Table 2.

**Table 2: Planned Mining Tons for 2010**

(Tons x 1,000)	Mill Grade	Low Grade	Leach Stockpile	Waste	Total
<b>Fort Knox</b>	8.7	3.3	9.7	28.2	49.9

Pit Dewatering

As of the end of 2009, the dewatering system included a total of 28 in-pit wells, and three causeway wells for a total of 31 dewatering sources. Through the course of 2009, 14 new wells were drilled: five on the Phase 7 perimeter were replacement wells, one well on the #1 conveyor causeway near the primary crusher, and eight within the existing Phase 6 pit that includes two replacement wells. In addition, two wells on the Fish Creek Causeway were re-drilled. Wells were utilized throughout the year except for periods when individual wells went offline due to freezing, seasonal water levels, or mechanical failures. Ten new wells are planned for 2010, five in the Phase 7 region and five in the exiting Phase 6 footprint



Pit dewatering is necessary to prevent the pit from filling with water and to maintain highwall stability. The average pumping rate from the dewatering system in 2009 was 940 gpm with 553 gpm from the pit wells and 387 gpm from the Fish Creek causeway wells. The total pumping rate for 2009 was 25% higher than the 2008 rate, with the pit well production increasing by 16% and the causeway increasing by 49%. The increase in the pumping rate is a result of expanding the pit and mining deeper. Total water pumped to the tailing impoundment in 2009 was 1,518.2 acre feet (494,317,694 gals).

True North Mine

Production from the True North Mine was terminated at the end of 2004. Investigations since that time led to the decision in 2009 not to continue with any additional mining at True North. Final reclamation of the site began in earnest in the summer of 2009.

**7.0 MILL OPERATIONS**

The SAG mill (center) is flanked by two ball mills



The Fort Knox mill has a daily capacity between 36,000 and 50,000 tons depending on the hardness of the ore. Mill feed is first crushed to minus 6 inches in the primary gyratory crusher located near the Fort Knox pit and then conveyed 2,600 feet to a coarse-ore stockpile located near the mill. The crushed material is conveyed to a semi-autogenous (SAG) mill. The SAG mill operates in open circuit and feeds two ball



mills. The ball mills operate in closed circuit through cyclone packs. The cyclone packs regulate the size of material that is allowed to move beyond the grinding circuit. A gravity gold recovery circuit operates in conjunction with the grinding circuit. It consists of three Knelson concentrators.

Correctly sized material flows into a high rate thickener and then into leach tanks where cyanide is used to dissolve the gold. Activated carbon is used in the carbon-in-pulp circuit to absorb the gold from the cyanide solution. Carbon particles loaded with gold are removed from the slurry by carbon screens and are transferred to the gold recovery circuit. In this circuit, the gold is stripped from the carbon using a strong alkaline cyanide solution in conjunction with high temperature and high pressure. The gold is recovered from this solution by electro-winning, where it is plated onto a cathode. The gold is removed from the cathode mechanically and melted into doré bars for shipment to an offsite refinery for final processing.

Some ore of a critical size is rejected from the SAG mill in order to increase throughput. This material is crushed and stockpiled for use on the Walter Creek Heap Leach Facility. Mill tailings are detoxified and discharged into the Tailings Storage Facility (TSF) below the mill. Table 3 displays a summary of the tonnage milled from November 1996 through December 31, 2009.

The mill continues to focus on operational improvements to increase throughput, recovery, efficiency and reliability

Improvements in the mill in 2009 included:

- Gravity circuit upgrades;
- SAG mill drive upgrade; and
- Tailings pumping system.



The SAG mill drive was upgraded in 2009.

**Table 3: Fort Knox Annual Milling Rates**

Year	Mill Production (Million Tons)
1996	0.77
1997	12.16
1998	13.74
1999	13.82
2000	14.99
2001	15.66
2002	15.26
2003	15.08
2004	14.59
2005	14.38
2006	14.84
2007	14.02
2008	15.11
2009	14.14
<b>Total</b>	<b>188.56</b>

The projected mill throughput for 2010 is approximately 13.7 million tons and gold production is estimated at 269,064 ounces.

## 8.0 HEAP LEACH

The Walter Creek Valley Heap Leach Facility was brought into production in 2009. Construction of the in-heap storage pond was completed and the loading of heap leach ore was initiated. On October 13, 2009, ADNR issued a Certificate of Approval to Operate the heap leach dam. On October 14, 2009, FGMI began filling the in-heap storage pond. In November 2009, FGMI had the first gold pour from heap leach production. In 2009, approximately 3.2 million tons were placed on the heap leach.

Walter Creek heap leach construction



In 2010, construction of Stage 1 of the heap leach pad will be completed and Stage 2 will be constructed. Projected heap leach ore placement for 2010 is 12 million tons. The heap leach gold production for 2010 is estimated to be 70,907 ounces.

## 9.0 TAILINGS STORAGE FACILITY (TSF)

The TSF consists of deposited tailings, decant pond, dam, seepage interception system, and the seepage monitoring system. The tailings depositional area is within the Fish Creek drainage and includes portions of the Walter Creek, Pearl Creek, and Yellow Pup drainages.





Looking across the tailings impoundment to the mill

The TSF decant pond is located within the tailings deposition area upstream of the TSF dam. The TSF decant pond fluctuates in size but covers an area that generally ranges from 300 to 400 acres. A bathometric survey conducted in October 2009 showed the decant pond contains approximately 5,675 ac-ft of water.

The TSF dam is approximately 4,100 feet long and 325 feet tall at the crest. It impounds all of the tailings generated by the mill. The TSF and the mill form a closed system for process water. Water used in the mill is pumped from the decant pond and process water which has had the cyanide level reduced to low levels is returned to the decant pond in the tailings slurry.

#### Tailings Deposition

In 2009, FGMI constructed a tailings pumping system that provides much more flexibility in where tailings are deposited than the gravity flow system that has been used to date. Through the 2010 construction season all tailings are planned to be deposited to the south of the Pearl Creek causeway. At the conclusion of the 2010 construction season, tailings will be discharged from the east end of the causeway to the north to begin development of a beach on the upstream face of the TSF dam.

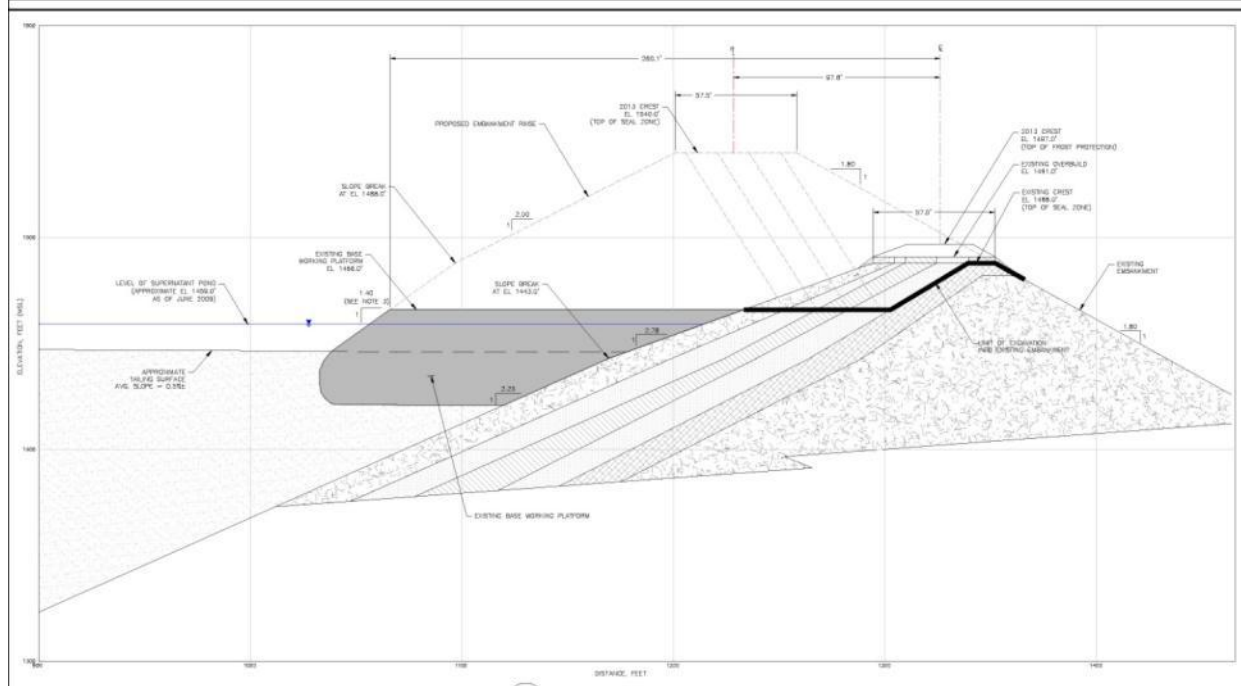


A handful of tailings as deposited into the TSF

#### TSF Dam Raise

In 2010, FGMI plans to initiate construction of a 52 foot raise of the TSF dam. The raise is necessary to accommodate the planned production through the end of the known mine life. Increases in planned production with the addition of Phase 7 will exceed the current capacity of the TSF. The dam raise will be a modified centerline construction as depicted in Figure 4.

**Figure 4: TSF Modified Centerline Design**

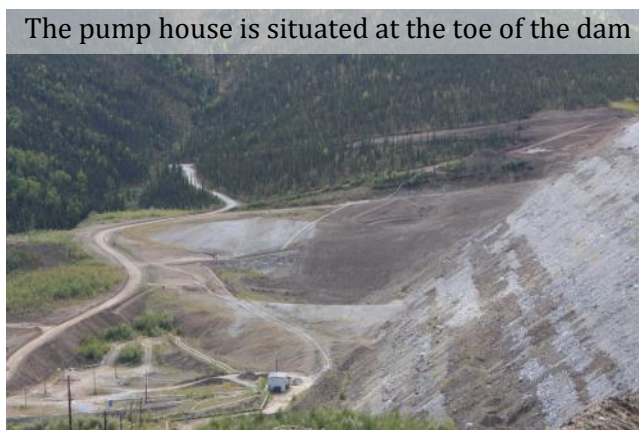


Construction of the dam raise will require three years. Construction will occur in 2010, 2011 and 2013. In 2010, the dam will be excavated from its current elevation of 1,488 to 1,466 and then reconstructed as shown in Figure 4 to the 1,488 elevation. In 2011 and 2013, the dam will be constructed to its ultimate design height of 1,540 elevation.

To accommodate the 2010 construction, the Pearl Creek Causeway is being permitted as a dam. The dam will be operated with a differential of up to 40 feet in the height of tailing south of the causeway versus north. During the 2010 construction season, tailings will be pumped to the south of the causeway. Water will be pumped from the south side of the causeway to the north as required for mill process water.

**TSF Interceptor System**

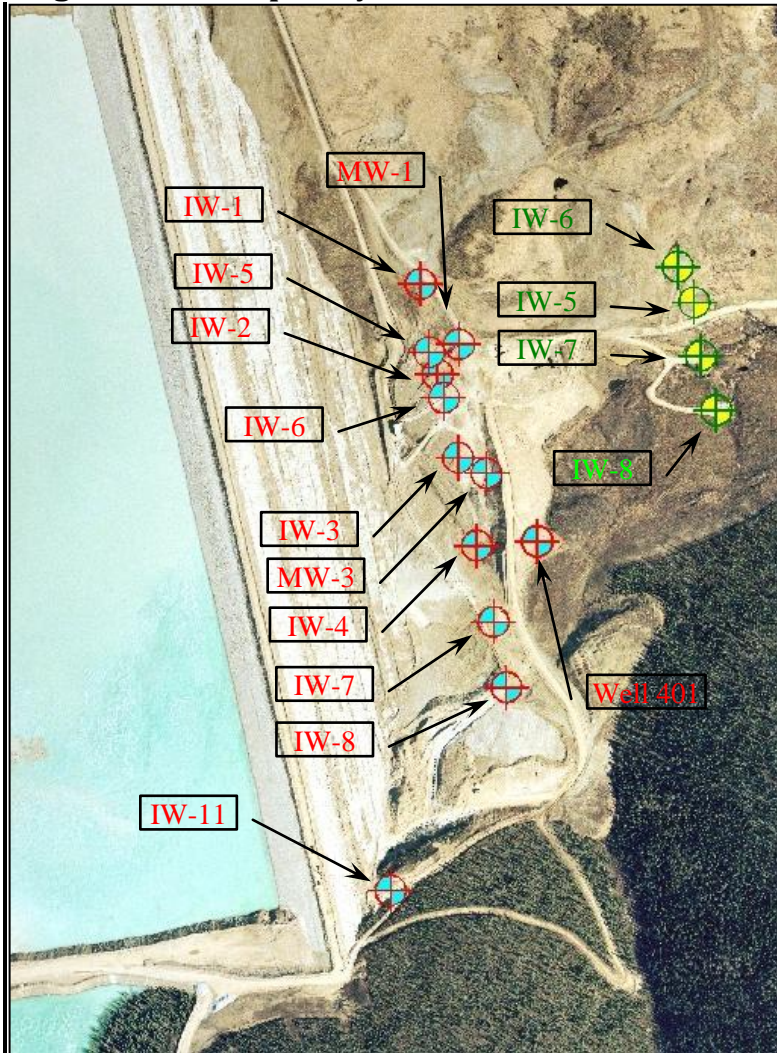
The TSF dam is designed for seepage to pass beneath the dam in fractured bedrock. The seepage is captured by the pump back system and the interceptor system. The pump-back system includes a pump-back sump together with a pumping and piping system designed to return the seepage to the TSF. The interceptor system is a series of interceptor wells developed just downstream of the dam (Figure 5). The interceptor wells collect groundwater and any seepage and routes it to the pump back system which returns it to the TSF. Most of the seepage passing beneath the dam feeds into a large lined sump from which all seepage is pumped back to the decant pond. Any seepage not captured directly by the pump back system is captured by the interceptor wells. These wells form a hydraulic barrier preventing any seepage



from migrating further downstream and assuring the TSF operates as a zero discharge facility.

The interceptor well system continues to function as designed, maintaining a continuous cone of depression across the Fish Creek valley. The interceptor wells operate continuously with individual pumping rates ranging from approximately 10 gpm to 110 gpm (Table 4). There were no new interceptor wells installed in 2010 and no interceptor wells were decommissioned.

**Figure 5: Interceptor System**



**Table 4: TSF Interceptor System Pumping Rates**

<b>Well ID</b>	<b>Approx. Average Pumping Rate (gpm)</b>	<b>Well Depth (ft)</b>
IW-1	35	320
IW-2	14	329
IW-3	20	310
IW-4	9	330
IW-5	105	380
IW-6	22	380
IW-7	24	197
IW-8	62	184
IW-11	18	296
MW-1	12	305
MW-3	6	296
Well 401	8	36
Toe Drain	5	n/a
<b>Total</b>	<b>340</b>	

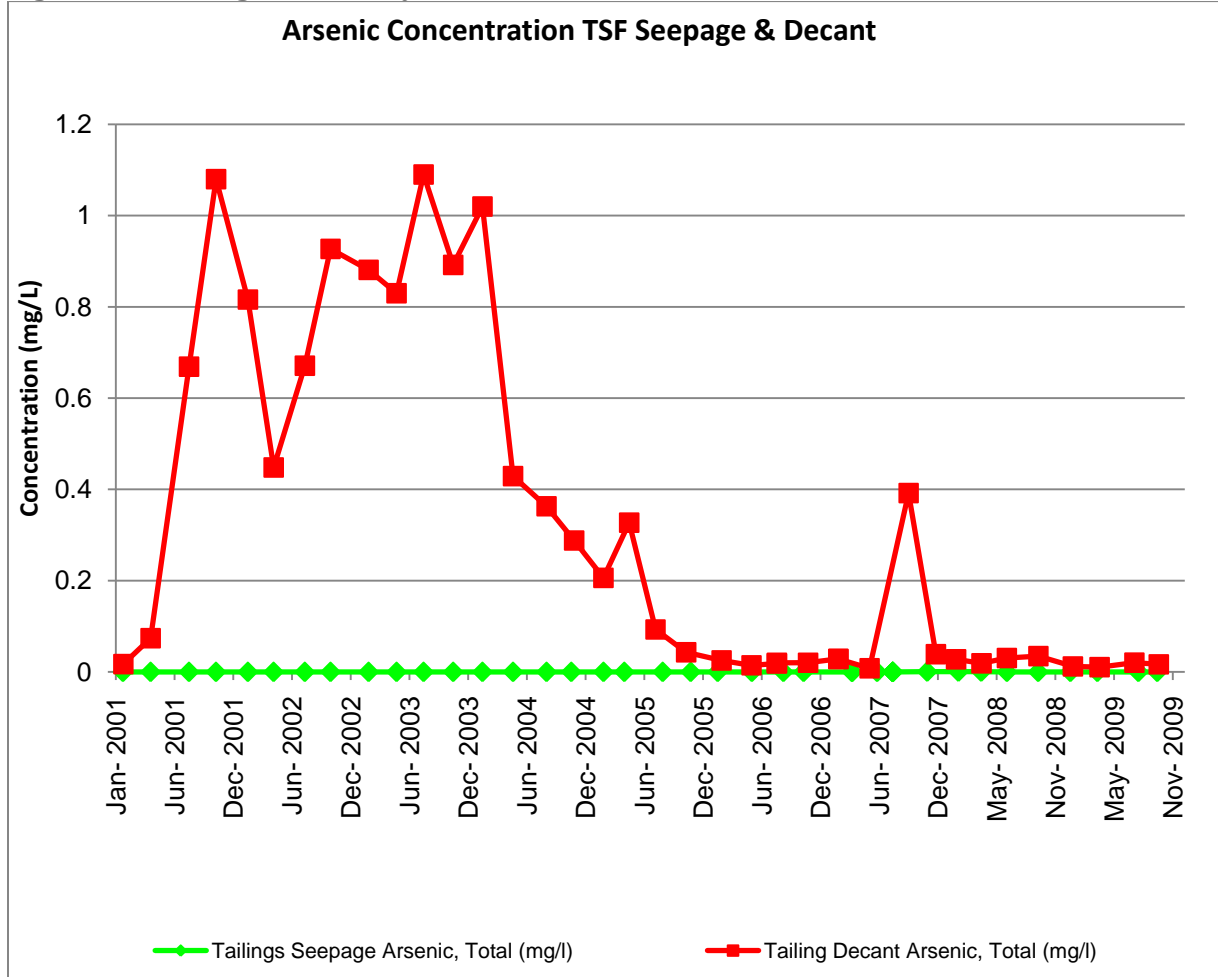
*TSF Decant and Seepage Metals Concentrations*

Arsenic, antimony, selenium and lead concentrations continue to be analyzed in the TSF decant and seepage reclaim (Figures 6, 7, 8, and 9). The decant water analyses indicate that arsenic, antimony, and selenium concentrations increased significantly as a result of introducing True North ore into the mill tailings beginning in 2001 and ending in 2004. A trend of decreasing arsenic, antimony, and selenium concentrations can be identified from 2004 through 2009 in Figures 6, 8, and 9. Lead is occasionally detected in the TSF decant and seepage but most often not detected in collected samples (Figure 7).

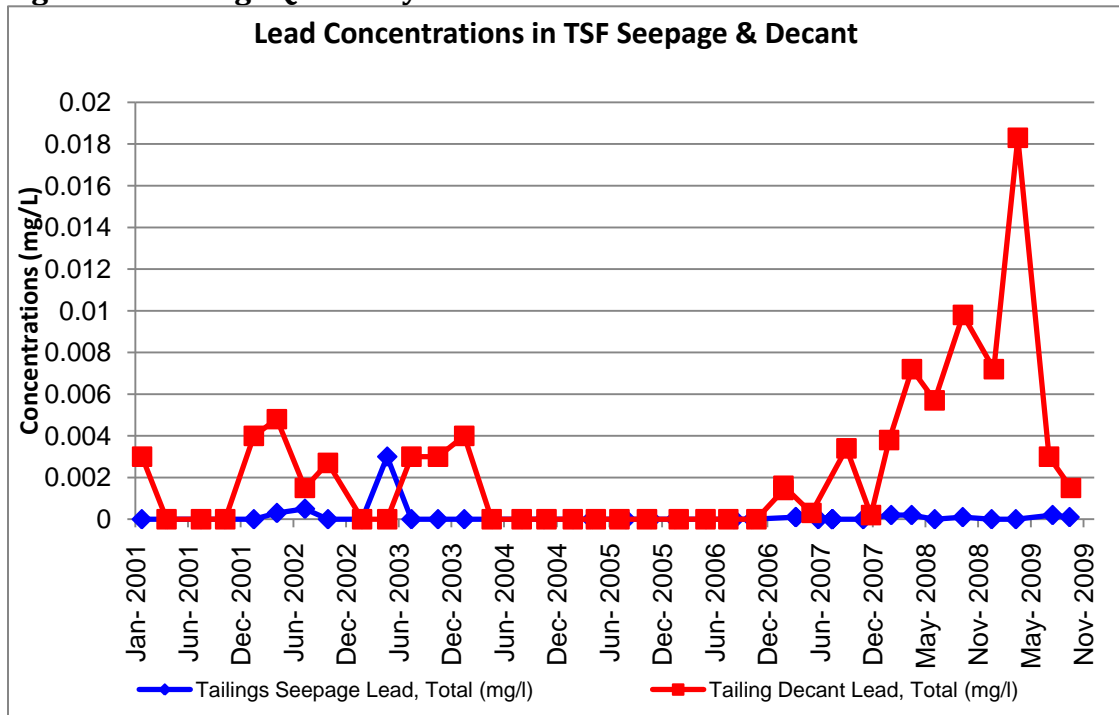
In November of 2008, the Fort Knox mill began adding lead nitrate,  $Pb(NO_3)_2$ , to the leach circuit. This decision was based upon metallurgical studies that indicated lead nitrate addition may improve gold recovery. However, the use of lead nitrate did not prove as successful as predicted and in May of 2009 the use of lead nitrate was discontinued. As a result of the addition of lead nitrate in the milling process lead concentrations in the decant water increased in 2009.



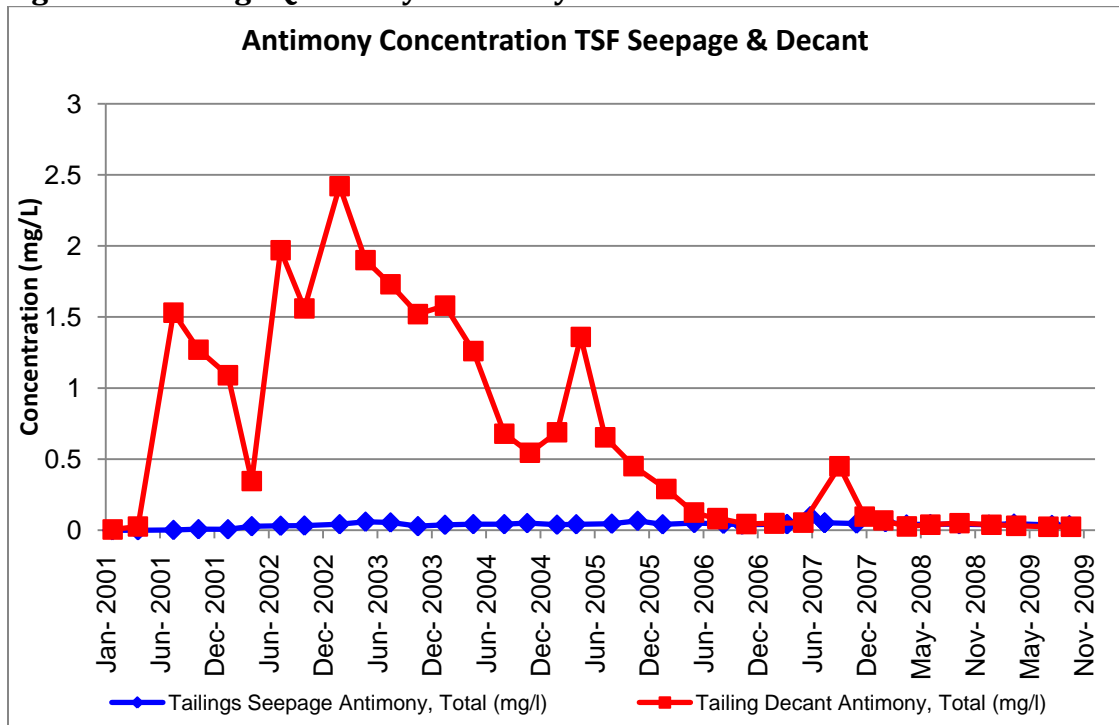
**Figure 6: Average Quarterly Arsenic Concentrations in Decant**



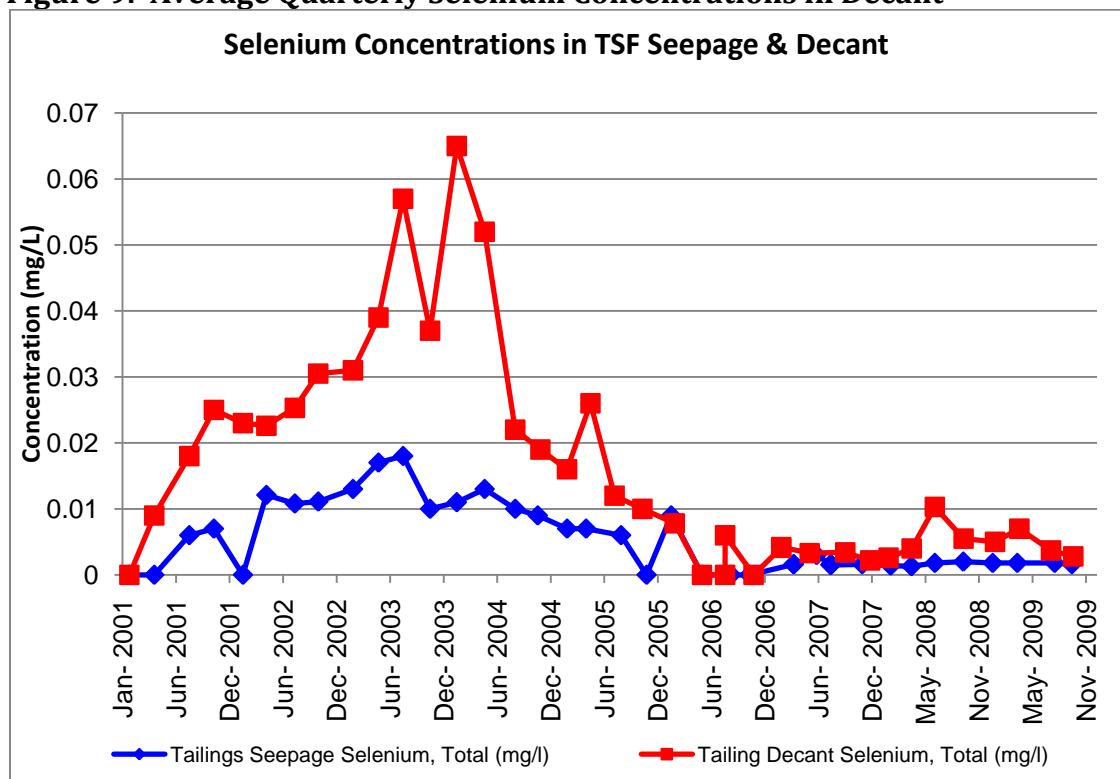
**Figure 7: Average Quarterly Lead Concentrations in Decant**



**Figure 8: Average Quarterly Antimony Concentrations in Decant**



**Figure 9: Average Quarterly Selenium Concentrations in Decant**



### 10.0 FRESH WATER SUPPLY RESERVOIR and WETLANDS

The Alaska Department of Fish and Game (ADF&G) continues with their work on the water supply reservoir (WSR) and associated wetlands. In the 2009 annual technical report prepared by ADF&G summarizing their work on the WSR and wetlands, certain conclusions were stated:

- Self-sustaining populations of Arctic grayling and burbot have been established in the WSR;
- The post-mining goal for the Arctic grayling population was set at 800 to 1,600 fish greater than 200 mm in length, and the spring 2008 population estimate for Arctic grayling was 3,545 fish greater than 200 mm in length; and
- The aufeis abatement work completed in 2008 on Last Chance Creek had limited success, but did not achieve the desired goal of eliminating the build-up of ice and opening Last Chance to spawning Arctic grayling.

Additional work to further enhance the fishery in the WSR and wetlands is being considered and includes:

- Continuing efforts to reduce the aufeis in Last Chance Creek;
- Development of additional wetlands; and
- Removal of beaver dams as necessary to enhance spawning opportunities for Arctic grayling.

### Tileston Award



Al Ott (ADF&G) and Lauren Roberts stand with Jules and Peg Tileston after being honored with the 2009 Tileston Award

In 2009, The Resource Development Council and the Alaska Conservation Alliance awarded Fort Knox Mine and the Alaska Department of Fish and Game the Second Annual Tileston Award. This award was established to recognize organizations, individuals and/or businesses that create solutions and innovations advancing the goals of economic development and environmental stewardship. Fort Knox and Alaska Dept. Fish and Game were selected for the reclamation and

fishery development work performed on the Fort Knox Fish Creek wetlands. Fort Knox Mine is honored to have the opportunity to share this award with ADF&G. The effort and leadership provided by ADF&G made the successes of the reclamation and fishery development programs possible.

## **11.0 RECLAMATION**

### Fort Knox

In 2009, reclamation at Fort Knox focused on the disturbance associated with the TSF seepage interceptor system and the lower seal pit (Figure 10). Reclamation consisted of regrading, seeding, and fertilizing. Vegetation was successfully established, and the areas were stabilized. The current reclamation plan for the Fort Knox Mine is being revised to reflect changes to the life of mine plan of operations including the expansion of the pit, raising the TSF dam, and the Walter Creek heap leach facility.

The reclamation plan is being revised to address additional disturbance as a result of the expansion of the pit and resulting changes to waste rock dumps. The final pit lake will increase in size with the larger pit. The raise of the TSF dam will necessitate certain changes in the reclamation and closure plan for the TSF, but the main theme of reclamation





is not anticipated to change significantly. With the increased height of the dam, changes in the design of the spillway at closure will be necessitated. The scope of reclamation for the heap leach pad is not anticipated to change significantly.

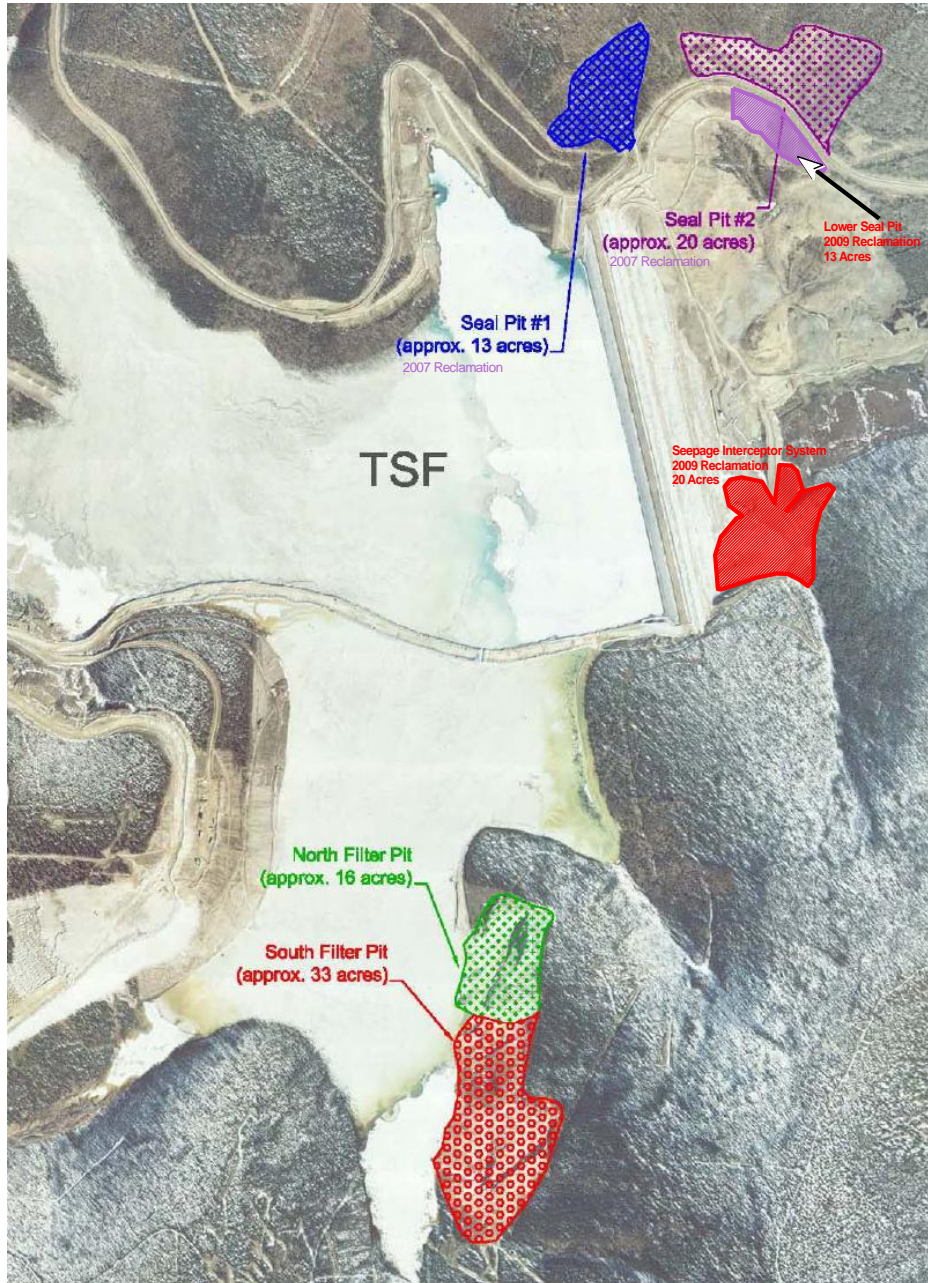
Growth media is stockpiled for use in final reclamation and closure. Table 5 summarizes the volumes of growth media stockpiled:

**Table 5: Fort Knox Growth Media Stockpile Quantities**

<b>Stockpile Area</b>	<b>Volume (Cubic Yards x 1,000)</b>
Yellow Pup Stockpile	6,434
TSF South Stockpile	291
Pit Perimeter Stockpile	69
Fresh Water Res. Stockpile	1,740
TSF North Stockpile	3,186
Yellow Pup Phase 6 Stockpile	513
Walter Creek Stockpile	440
Heap Leach Stockpile	82
Phase 7 Growth Media Stockpile	584
<b>Total</b>	<b>14,280</b>



**Figure 10: Fort Knox Reclamation (2009)**



True North

Production from the True North Mine was terminated at the end of 2004. Investigations since that time led to the decision in 2009 not to continue with any additional mining at True North and final reclamation of the site commenced. FGMI submitted an updated reclamation plan for True North in the spring of 2008. ADNR has not reviewed and acted upon the plan to date. Without an approved plan, it has been necessary to proceed with reclamation under the authorizations from ADNR in the form of Miscellaneous Land Use Permit for Interim Stabilization and Reclamation.





FGMI is in the process of completing another revision and update of the True North reclamation plan. The revised plan will be submitted in March. This plan will address the slope failure in a previously graded portion of the North Shepard waste rock dump and changes necessitated by the management of surface runoff.

Reclamation of True North began in 2005 and encompassed approximately 129 acres. Approximately 100 acres were successfully stabilized. In the spring of 2008 a request for a partial release of financial assurance on the 100 acres was submitted to ADNR. To date, ADNR has not acted upon the request.

Seed and fertilizer typically were applied on reclaimed disturbance using either a broadcaster mounted on a D4 dozer or by aerial application using a fixed wing aircraft. Seed and fertilizer also were applied manually in some areas to ensure that vegetative growth is successful. The seed mix applied was comprised of 50 percent Arctared Red Fescue, 20 percent Tundra Glaucous Bluegrass, 20 percent Gruening Alpine Bluegrass, and 10 percent Tufted Hairgrass. The seed application rate was approximately 11 lbs/acre. Fertilizer was applied at a rate of 300 lbs/acre with an N-P-K analysis of 20-20-10.

The True North reclamation performed in 2009 and the work planned for 2010 is focused on completing the major earthwork. Acreage completed last summer was seeded and fertilized. With the mild winter conditions this year, earthwork has continued through the winter. Table 6 summarizes the work completed through February 2010.

Table 7 summarizes the volumes of growth media stockpiled at True North. The current stockpiled material is adequate to cover all existing disturbance to be reclaimed with one-foot of growth media.

In 2010, FGMI is striving to complete all major reclamation activities including grading, growth media placement, revegetation and removal of all structures. After 2010, FGMI will continue to monitor the success of the reclamation activities and address any areas or issues that do not meet the performance standards for successful reclamation.

**Table 6: True North Reclamation Performed in 2009 and 2010**

<b>Year</b>	<b>Approved Acres</b>	<b>Graded Acreage</b>	<b>Scarified Acreage</b>	<b>Seeded Acreage</b>
Upper Louis Dump	16.4	16.4	16.4	16.4
South Louis Dump	19.2	19.2	19.2	19.2
North Louis Dump	17.7	17.7	17.7	17.7
East Pit Dump	50.5	50.5	50.5	0
Louis Road	5.7	5.7	5.7	5.7
Shepard Road	22.3	22.3	22.3	22.3
Mid Shepard Dump	4.6	4.6	4.6	4.6
South Shepard Dump	68.6	68.6	0	0
North Central Dump	5.9	5.9	0	0
Hindenberg Pit	53.1	49.6	0	0
Lower A/B Dump	11.2	11.2	0	0
<b>Total</b>	<b>275.2</b>	<b>271.7</b>	<b>136.4</b>	<b>85.9</b>

**Table 7: True North Growth Media Stockpile Quantities**

<b>Stockpile Area</b>	<b>Volume (Cubic Yds. x 1,000)</b>
Shop Growth Media Stockpile	720
Shop Pad GM Stockpile	53
Hindenburg GM Stockpile	145
<b>Total</b>	<b>918</b>

## 12.0 FINANCIAL ASSURANCE

Financial assurance is being adjusted to reflect increased costs using the Consumers Price Index-Urban (CPI-U) for Anchorage. The CPI-U for Anchorage increased 1.2% in 2009. This change increases the amount of the Letter of Credit (LOC) for Fort Knox and True North from \$39,180,556.29 to \$39,620,280.48. Table 8 reflects those adjustments and provides the amounts being posted as a LOC.

**Table 8: Financial Assurance Amounts**

<b>Plan/Permit/Lease #</b>	<b>Amount (\$)</b>	<b>Descriptions</b>
Fort Knox Lease Nos. ADL 414960 and 414961, Plan of Operations Approval F20079852, and Waste Management Permit 2006-DB0043	\$36,306,233	Fort Knox Mine Reclamation and Closure
Lease #ADL 416509 True North Plan of Operations Mill Site	\$1,301,100	True North Mine Project Mill Site
Approved True North Reclamation and Closure Plan	\$1,155,774	True North Plan of Operations
Lease #ADL 416471 True North Plan of Operations Approval	\$80,000	True North Access Road
Post Reclamation Maintenance	\$777,174	
<b>TOTAL</b>	<b>\$39,620,280</b>	

An additional adjustment to the financial assurance for Fort Knox and True North is anticipated for 2010. Reclamation plans for both mines are being revised and updated. Once the reclamation plans are submitted and approved by all agencies, an additional adjustment of the LOC may be necessary.

### **13.0 MINE WATER USAGE (WATER BALANCE)**

The water balance takes into account the natural water inflows/outflows and water use throughout the mine-site. Inflows into the mine-site include precipitation, groundwater and mill water from the WSR. The water uses at Fort Knox are summarized in Table 9. Figure 11 provides a diagram of the water balance model used by Fort Knox.

**Table 9: Fort Knox Water Balance Summary for 2009**

<b>Water Balance Process</b>	<b>Volume (ac-ft)</b>
Fresh Water Reservoir (WSR) to Mill	454
Fresh Water Reservoir (WSR) to TSF	879
TSF to Mill	14,872
Mill to TSF (Estimated Water in Tailings Slurry)	15,326
Heap Leach	56
Pit Dewater to TSF	1,518
Seepage Reclaim (Interceptor System)	434

Ten new dewatering wells are planned for 2010, five in the Phase 7 and five in Phase 6. With these additional wells, the production from the dewatering system will significantly increase 2010.



## 14.0 EXPLORATION

FGMI continues with an exploration program in the pit and in the surrounding area with the goal of identifying additional reserves that can further expand the existing pit or lead to development of another operation. Exploration in the vicinity of the Fort Knox mine in 2009 consisted of the following:

- Drilling, trenching, geophysical surveys, and geochemical surveys at the Gil Project.
- Drilling, trenching, and geochemical surveys on the Gilmore Dome claims directly south of Fort Knox mine.
- Geophysical surveys and drilling on the Steamboat Project.

In 2010, Exploration work plans call for the following:

- Geophysical and geochemical surveys on the Gil Project to be followed up with a drilling program. The goal of the drilling program is to expand the strike length of known mineralization and test new targets.
- Geochemical survey followed by drilling on the Gilmore Dome claims.



**Figure 11: Mine Water Use Diagram**

