

KINROSS

Fort Knox

2011 ANNUAL ACTIVITY REPORT



February 2012

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1. 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 Waste Management Permit 2006-DB0043 for the Fort Knox Mine.

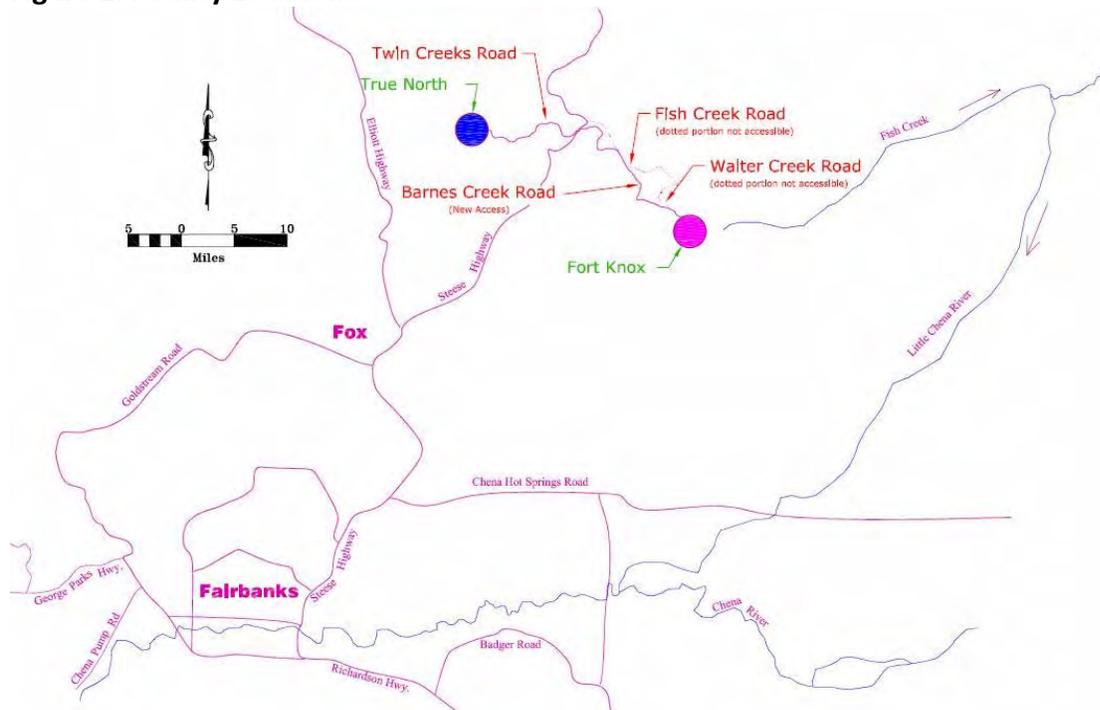
The Fort Knox mine includes the Fort Knox open pit mine, mill, tailings storage facility, water storage reservoir and the Walter Creek heap leach facility. The True North open pit mine is being reclaimed. These facilities are located within the Fairbanks North Star Borough, approximately 25 highway miles 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 2011, FGMI employed 522 people. Fort Knox produced 289,794 gold equivalent ounces in 2011.

This report describes the permitting, mining, milling, heap leach and reclamation activities during calendar year 2011 and planned activities for 2012.



Figure 1: Facility Locations



2. SUMMARY OF ACTIVITIES

In 2011, Fort Knox had a range of activities underway in the areas of production, construction, exploration and permitting. In summary, these activities included:

- Construction of Stage 3 of the Walter Creek Valley Fill Heap Leach was initiated and approximately two-thirds was completed;
- Construction of new Barnes Creek haul road to the heap leach was initiated and completed except for a short spur from the Barnes Creek waste rock dump;
- Construction of the new Barnes Creek mine access road including the multi-plate tunnel was completed;
- Construction of a new cellular phone tower above the Walter Creek Valley Fill Heap Leach was completed in conjunction with AT&T.
- Construction was completed on the TSF water and power lines;
- Continued with construction of a 52-foot raise of the TSF dam by raising it 27 feet to an elevation of 1515.0 fmsl. With the 27-foot raise during 2011, the remaining 25 feet will be constructed in 2013. By the end of the construction season of 2013, the dam will be constructed to its design height of 1,540 fmsl from its original 1,488 fmsl elevation;
- Completed acquisition of 32 acres from NOAA withdrawal for placement of waste rock; and
- Reclamation completed in 2011 at True North included planting of 32,860 seedlings covering approximately 100 acres and maintenance activities.



In 2012, the major activities planned include:



- Complete construction of Stage 3 of the Walter Creek Valley Fill Heap Leach;
- Initiate construction of Stage 4 of the Walter Creek Valley Fill Heap Leach;
- Acquire permits for the construction of the 2013 phase of the TSF dam raise from ADNR and Dam Safety;
- Obtain approvals of the Fort Knox reclamation and closure plan from ADNR and ADEC. ACOE has approved the plan;
- Obtain a design change approval from

Dam Safety for increased pumping capacity at the Walter Creek Heap Leach Pregnant Solution Pump Station. The design change will allow an increase in pumping capacity from 8,000 gpm to 16,000 gpm;

- Obtain necessary permits to expand the Walter Creek Valley Heap Leach from 161 million tons to 320 million tons;
- Construction of a second CIC plant;
- Obtain approvals to construct a new fuel island from ADEC and construct the new island;
- Obtain approval to decommission the old fuel island from ADEC and decommission the old island;
- Obtain an APDES permit from the ADEC for the discharge of mine dewatering well water that does not require treatment to the Fish Creek wetlands from which it will flow to the freshwater reservoir and construct the discharge system piping and outfall.
- Obtain approvals of the True North reclamation and closure plan from ADNR;
- Complete reclamation activities at the waste rock dumps, roads, growth media stockpiles and former building areas at True North; and
- Obtain approvals for an expansion of the Fort Knox Millsite Lease.

3. PERMITTING ACTIVITIES

The following is a list of the approved plans and permits issued to FGMI in 2011:

- In January, ADNR, Dam Safety, issued a Certificate of Approval to Modify a Dam for the Fort Knox Tailings Dam (NID ID#AK00212), certificate approved raising the dam 52 feet in two phases (2011 and 2013);
- In January, ADEC, Division of Water, issued a Certificate of Reasonable Assurance for the construction to raise the TSF dam by 52 feet;
- In March, ACOE issued the Permit #POA-1992-574-M19) to Construct the Modified Dam Raise and the Expansion of the TSF, Build a Road and Utilize Borrowed Sources;
- In March, ADNR issued a Burning Permit;
- In March, the FCC issued a temporary authorization for radio communications;
- In April, ADNR issued approval for Plan of Operations Amendment for the Fish Creek Road Powerline Re-Alignment and Clearing for Sub Base Material;
- In April, ADNR issued approval for a Plan of Operations Amendment for the TSF Jetty Pipeline Road and Re-Alignment of Portion of Fish Creek Road;
- In April, ADNR, Dam Safety, issued a Certificate of Approval to Operate a Dam for the Fort Knox Tailings Dam (NID ID#AK00212) as a Class II dam;
- In May, the Alaska Department of Revenue issued a renewal for the Open Pit Mining License;
- In May, ADNR issued approval for the Plan of Operations Amendment for the Topsoil Storage in Borrow Pit North of Walter Creek Heap Leach;
- In June, ADNR issued the Second Amendment to Millsite Lease ADL41460 and 414961 for adding 31.7-acre obtained from the NOAA withdrawal area;
- In June, FCC issued a Radio Station Authorization WPRW650;
- In June, FCC issued a Radio Station Authorization WPSH854;

- In July, ACOE issued permit to dump waste rock in the Upper Barnes Creek Waste Dump including the 31.7-acre obtained from the NOAA withdrawal area;
- In July, ADEC, Division of Water issued a Certificate of Reasonable Assurance for Upper Barnes Creek Waste Dump including the 31.7-acre NOAA withdrawal area;
- In August, ADNR, Dam Safety issued a Revised Certificate of Approval to Operate a Dam for the Walter Creek Heap Leach Dam (AK00310), which allows operation of the heap leach pad in the Stage II configuration at a solution application rate of 16,000 gpm and an increase in the thickness of ore lifts;
- In November, the Bureau of Alcohol, Tobacco, Firearms, and Explosives issued a renewal for the Federal Explosives License/Permit;
- In December, ADNR issued a Water Rights Certificate of Appropriation LAS 13988 for 5,245 acre-feet per year for mining and milling, including heap leaching.

The following is a list of the planned permitting activities for FGMI in 2012:

- Complete the permitting of the APDES discharge permit for mine dewatering well water to the Fish Creek wetlands from which it will flow to the freshwater reservoir;
- Obtain an APDES permit to treat and discharge process water;
- Obtain approval to construct new fuel island from ADEC and ADNR;
- Obtain approval for decommissioning the old fuel island from ADEC;
- Obtain a design change approval from Dam Safety for increasing the pumping capacity of the Walter Creek Heap Leach Pregnant Solution Pump Station by adding two new 30-inch wells;
- Obtain necessary permits to expand the Millsite Lease;
- Obtain permits to expand the Walter Creek Heap Leach from 161 million tons to 307 million tons;
- Obtain necessary permits to expand the Barnes Creek Waste Rock Dump to the northwest;
- Obtain approval for the Fort Knox reclamation plan from ADNR and ADEC. ACOE has approved the plan; and
- Obtain approval for the reclamation and closure plan for True North from ADNR.



4. LAND STATUS

As the pit continues to expand, land available for placement of waste rock is an important consideration. NOAA located adjacent to the west boundary for FGMI's Millsite Lease has agreed to relinquish approximately 32 acres from their Withdrawal. NOAA submitted a letter of relinquishment to BLM in September 2010 for approximately 32 acres that FGMI needed for disposal of waste rock. BLM prepared the Public Land Order which underwent internal review in Washington, and this approval process was completed when the BLM withdrawal was published in the Federal Register on April 26, 2011. The parcel was accepted by Alaska, and FGMI acquired the property with the recording of the Second Amendment to Millsite Lease ADL 414960 and 414961 on June 3, 2011.

With future expansion considerations for mining activities, FGMI determined that additional land adjacent to the northwest boundary of the Millsite Lease is needed for future expansion. An Alaska Mental Health Trust Land application for approximately 280 acres was submitted in December 2011. This application includes approximately 200 acres of Trust Land for the Walter Creek Heap Leach and approximately 80 acres for the Barnes Creek Waste Rock Dump. The application process is anticipated to be completed in 2012.

5. SAFETY

PEOPLE

The year 2011 saw many great safety accomplishments within the various departments and one tragic event when we suffered a loss of one of our own in June. The administration group (i.e., warehouse, safety, environmental, accounting, human resources, engineering, surveying, geology, exploration) has not had a loss time incident since April 2005. Mill maintenance has not had a loss time incident since July 2003. Mine Operations and Mobile Equipment Maintenance have not had a loss time incident since December 2006 with Mine Operations achieving 2,000,000 man hours without a lost time incident in August 2011.

Keeping safety at the forefront of everything we do at Fort Knox is our first and most important priority. 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 that focus on and encourage 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 Barnes Creek, Walter Creek and Twin Creek roads. 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 2011. Similarly, there were no complaints of noise in 2011.

In 2011, a multi-plate steel tunnel was constructed on the Fort Knox Mine Access Road allowing vehicles to drive under the new Heap Leach Haul Road (Figure 2).

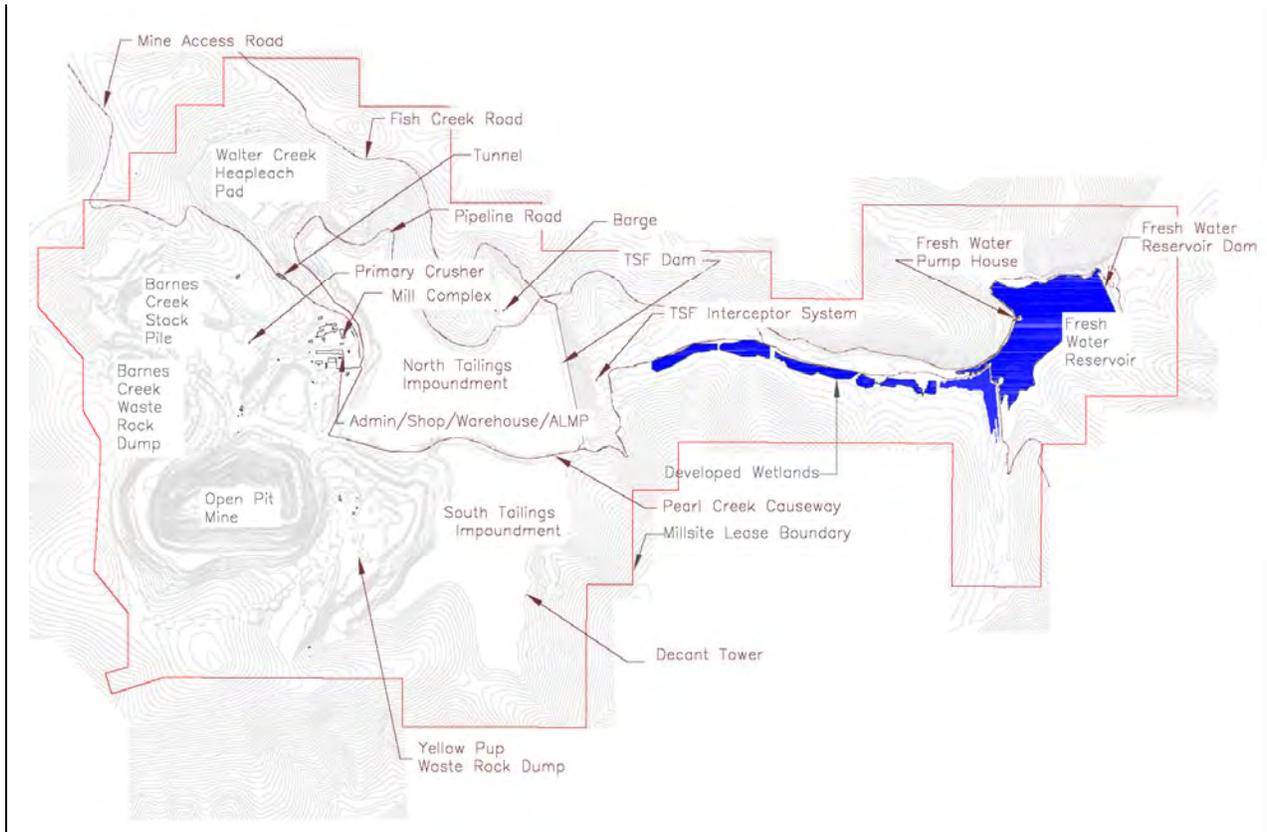
FGMI Security continues to patrol the mine site and access roads to ensure the safety of our employees, contractors, guests, and the public. Access is limited based on need and function. Safety training is tailored in a similar manner.

RECREATIONAL TRAILS

During the initial Millsite Lease application process a series of public meetings were held to identify trail systems that would potentially be affected by mining activities. In 2011, Fort Knox initiated meetings with ADNR Trails and Easement Section to start the process of rerouting trails

for future use. A formal application will be submitted to the Trails and Easement Section with alternate routes for review. As part of this process, a public notice, meeting, and comment period are tentatively scheduled for 2012.

Figure 2: Local Roads and Mine Facilities



6. MINE OPERATIONS

PIT PRODUCTION

In 2011, FGMI mined 34.55 million tons of ore and waste from the Fort Knox pit with an average production rate of 94,658 tons per day (Table 1).

Table 1: Fort Knox Annual Mining Rates

Year	Mill 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
2010	11.95	1.35	8.52	20.59	42.40
2011	3.96	.13	4.76	25.70	34.55
Total	180.65	57.05	39.28	326.47	603.51

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 2011, 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 mining plan. Phase 7 stripping commenced in the 4th quarter of 2008. Stripping continued through 2011 and will continue in 2012 until sustained ore feed for the mill is achieved. Phase 7 will allow the Fort Knox pit to continue operations in late 2017. The mill is also scheduled to operate until late 2017. As a result of accelerated haulage,

the haulage of stockpiled ore will be completed in 2016, and the last heap leach ore from the pit will be placed on the pad in 2017.

Figure 3: Fort Knox Pit Phases



The planned pit production for 2012 is summarized in Table 2.

Table 2: Planned Mining Tons for 2012

(Tons x 1,000)	Mill Grade	Low Grade	Leach Stockpile	Waste	Total
Fort Knox	11.97	3.07	11.96	39.69	66.69

PIT DEWATERING

As of the end of 2011, the dewatering system included a total of 25 in-pit wells, three causeway wells (located north and out of the pit in the Barnes Creek/Fish Creek drainage) for a total of 28 dewatering sources. Through the course of 2011, two new wells were drilled in Phase 7. Seven horizontal drain trenches were constructed in Phase 6. The operating wells were available a large percentage of the time. Some mechanical failures occurred and some discharge lines were rerouted due to pit reconfiguration. One new well is planned for 2012. Pit dewatering is necessary to prevent the phreatic surface from recharging and to maintain highwall stability. The average pumping rate from the dewatering system in 2011 was 833 gpm with 583 gpm from the pit wells and 250 gpm from the causeway wells. The total pumping rate for 2011 was 29% lower than the 2010 rate, with the pit well production decreasing by 36% and the causeway wells

decreasing by 6%. The decrease in pumping rate is attributed to bringing Phase 7 wells online in late 2009, which significantly increased pumping flows in 2010. The dewatering flows leveled off in 2011, which were significantly lower than 2010. Total water pumped to the tailing impoundment from dewatering in 2011 was 941 acre feet (306,575,610 gallons). Roughly 131,157,826 gallons (403 acre feet) were pumped from the causeway wells directly to the Mill.

As the TSF continues to fill with tailings and storage capacity for water reduces, FGMI is going to have to permit a discharge of water to maintain the water balance in the TSF. FGMI began planning in 2011 for a discharge of non-process and non-contact groundwater extracted from pit dewatering wells. The initial discharge rate is projected to be approximately 400 gpm. The dewatering water will be discharged to Pond A in the upper wetlands and will flow down the north side of the Fish creek Valley to the water storage reservoir. An Alaska Pollutant Discharge Elimination System (APDES) permit application will be submitted to the Alaska Department of Environmental Conservation (ADEC), Division of Water in early 2012.

FGMI has initiated studies for treatment and discharge of water other than clean dewatering water. Current analysis indicates that just discharging water that does not require treatment will not be adequate to maintain the required water balance in the TSF. The permitting for treatment and discharge is not anticipated to be completed until 2013.

7. MILL OPERATIONS

The Fort Knox mill has a daily milling capacity of 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 hard 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, 2011.

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

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
2010	14.56
2011	14.88
Total	218.00

The projected mill throughput for 2012 is approximately 14.95 million tons and gold production is estimated at 234,266 ounces.



5-Millionth Ounce Doré Bar

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 2011, approximately 19.4 million tons were placed on the heap leach. Since the loading of heap leach ore began in 2009, a total of approximately 37.8 million tons have been placed on the heap leach, and 180,970 ounces of gold have been produced.



Access Road Multi-Plate Tunnel

In 2011, construction of Stage 3 of the heap leach pad began and its construction will be completed in 2012. The Stage 4 construction of the heap leach pad is scheduled to begin in 2012. Projected heap leach ore placement for 2012 is 27.9 million tons. The heap leach gold production for 2012 is estimated to be 118,612 ounces.



Walter Creek Heap Leach Stage 3

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.



Tailings Pond

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. The south pond will fluctuate slightly, but should remain close to 245 acres. A bathymetric survey conducted in the September of 2011 showed the decant pond contains approximately 6,174 acre-feet of water.

The TSF dam is approximately 4,390 feet long and 352 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

During the 2011 construction season, tailings were deposited along the dam face by spigoting. The main tailings line ran along the upstream dam face at the 1505 elevation of the engineered random fill. The tailings flowed into 8-inch spigot pipes evenly spaced along the dam face. The purpose of the spigoting is to develop a beach 300 to 500 feet in width against the upstream face of the dam. The beach will improve the dam's Factor of Safety and enhance its long term stability.

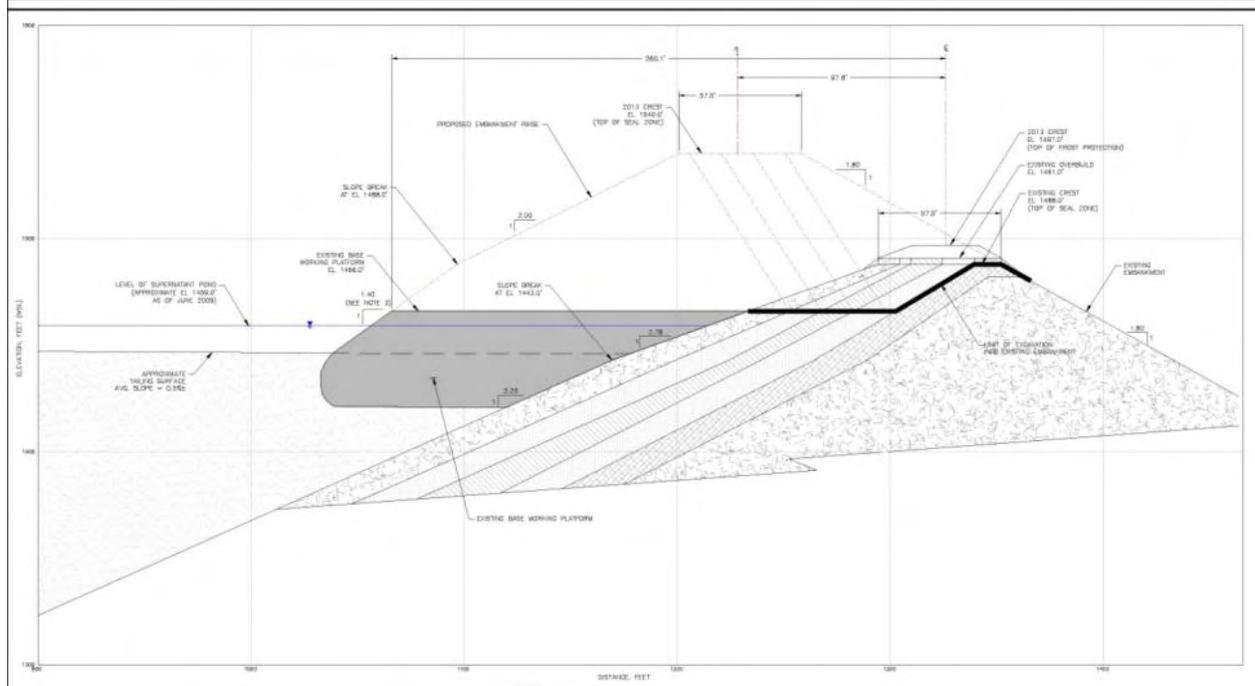


TSF Dam Raise Project

TSF DAM RAISE

In 2011, FGMI continued with construction of a 52-foot raise of the TSF dam by raising the dam 27 feet. The raising of the dam 52 feet 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 would have exceeded the capacity of the TSF without the 52 feet raise. The dam raise is a modified centerline construction as depicted in Figure 4.

Figure 4: TSF Modified Centerline Design



Construction of the dam raise 52 feet requires two years. A 27-foot raise was completed during 2011, and the remaining 25 feet will be constructed in 2013. In 2013, the dam will be constructed to its design height of 1,540 elevation from its original 1,488 elevation.

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 water from the pump-back system and interceptor system is pumped back to the decant pond at an average rate of approximately 1,437 gpm for 2011. 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 pump house at the toe of the dam

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). In order to keep the interceptor system operating at peak efficiency, six of the system's wells were rehabilitated (mechanically scrubbed) and three of these wells received new pumps during 2011. There were no new interceptor wells installed in 2011 and no interceptor wells were decommissioned. A line of groundwater monitoring wells located immediately downstream of the interception system is monitored to insure that no process water is escaping the system and moving downstream.

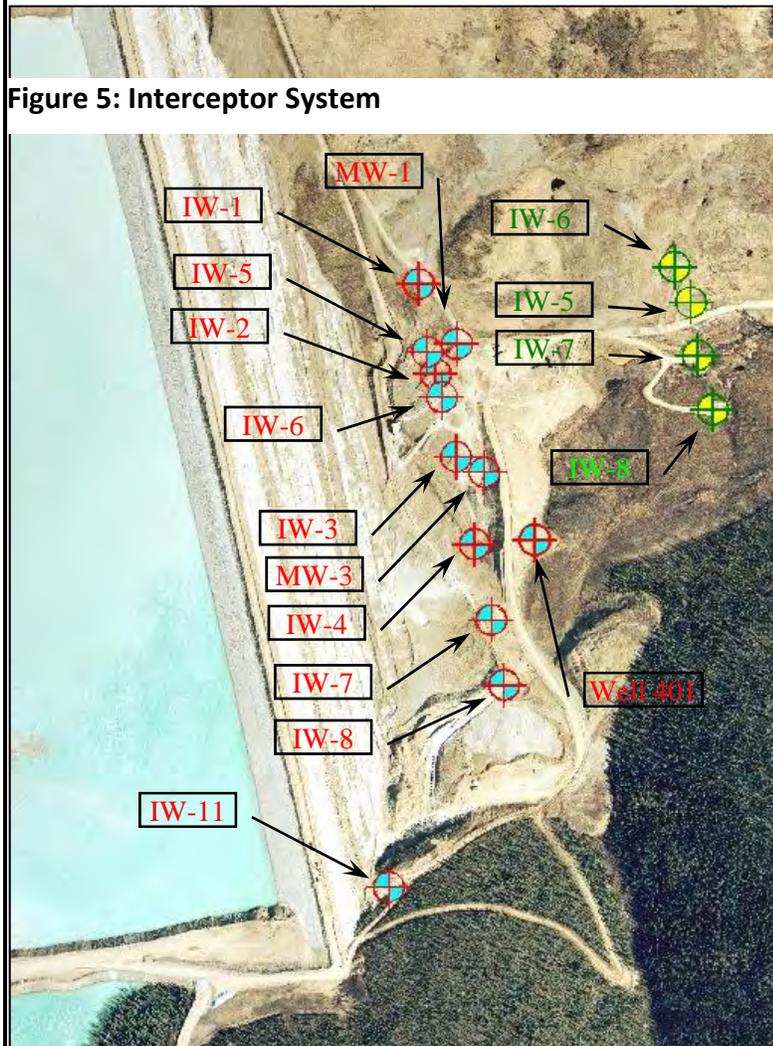


Table 4: TSF Interceptor System Pumping Rates

Well ID	Approx. Average Pumping Rate (gpm)	Well Depth (ft)
IW-1	59	320
IW-2	16	329
IW-3	16	310
IW-4	20	330
IW-5	106	380
IW-6	18	380
IW-7	31	197
IW-8	45	184
IW-11	18	296
MW-1	12	305
MW-3	14	296
Well 401	10	36
Toe Drain	3	n/a
Total	368	

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). These metal concentrations increased significantly as a result of introducing True North ore into the mill tailings beginning in 2001 and ending in 2004. Since 2004, the metals have trended down and remained low with the exception of lead. Lead nitrate was used in the milling process in 2008 and 2009 causing the lead concentrations in the decant water to elevate.

Figure 6: Average Quarterly Arsenic Concentrations in Decant

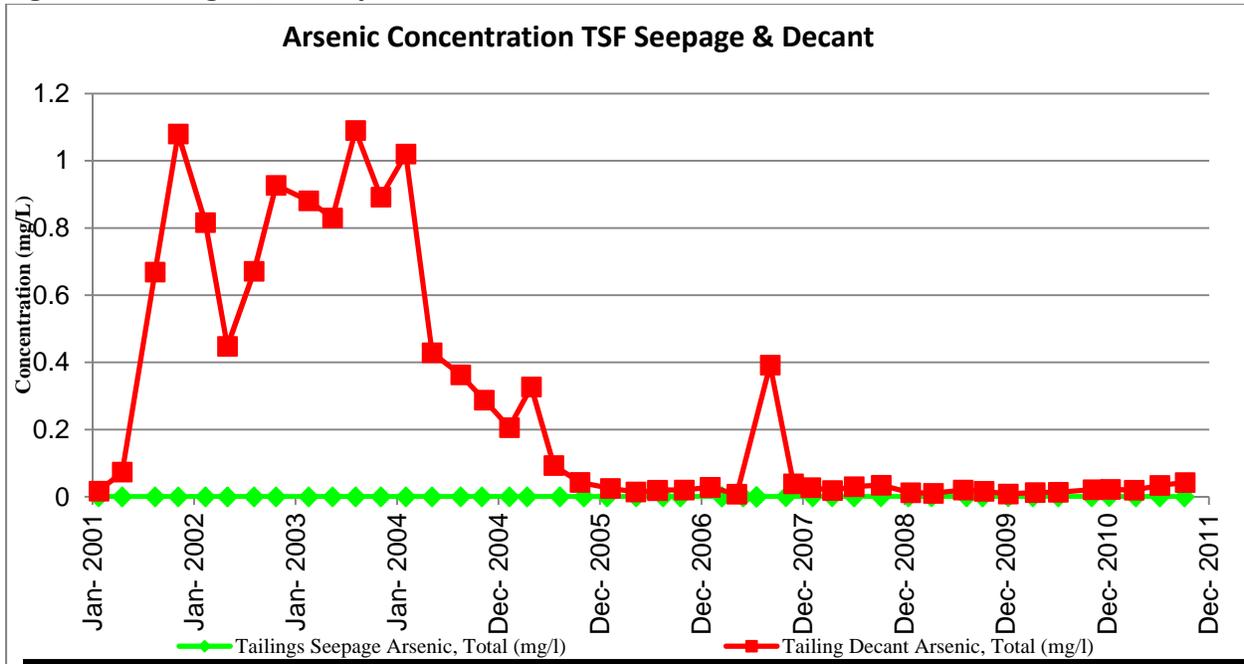


Figure 7: Average Quarterly Lead Concentrations in Decant

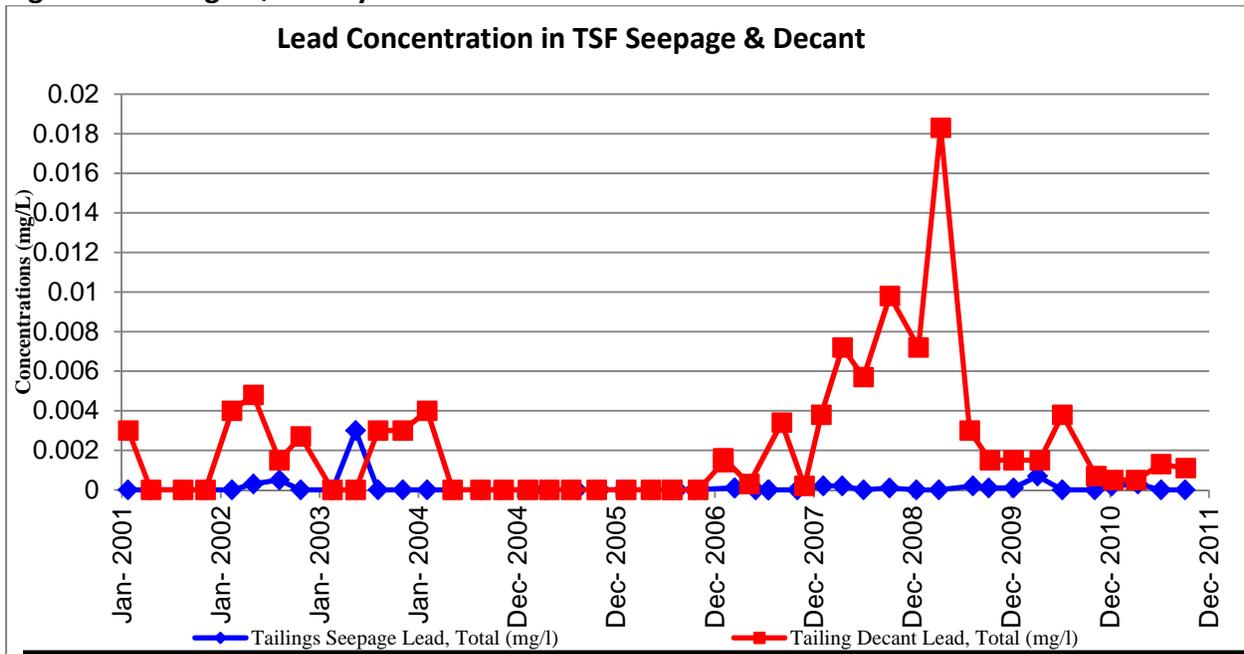


Figure 8: Average Quarterly Antimony Concentrations in Decant

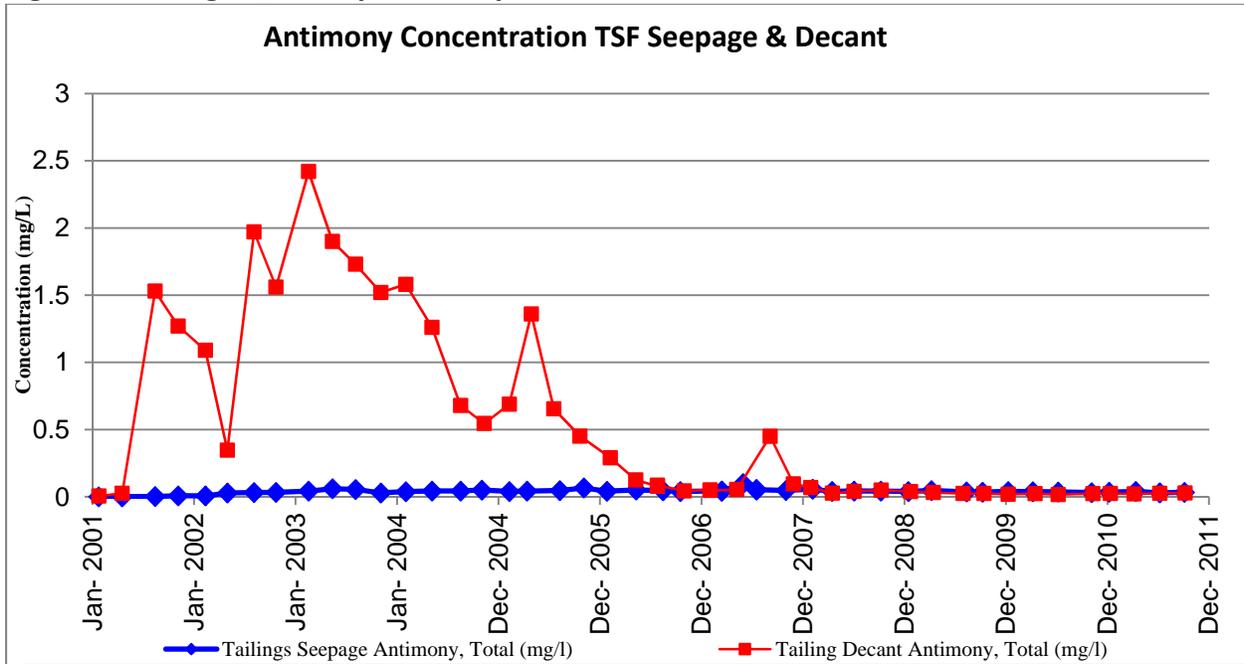
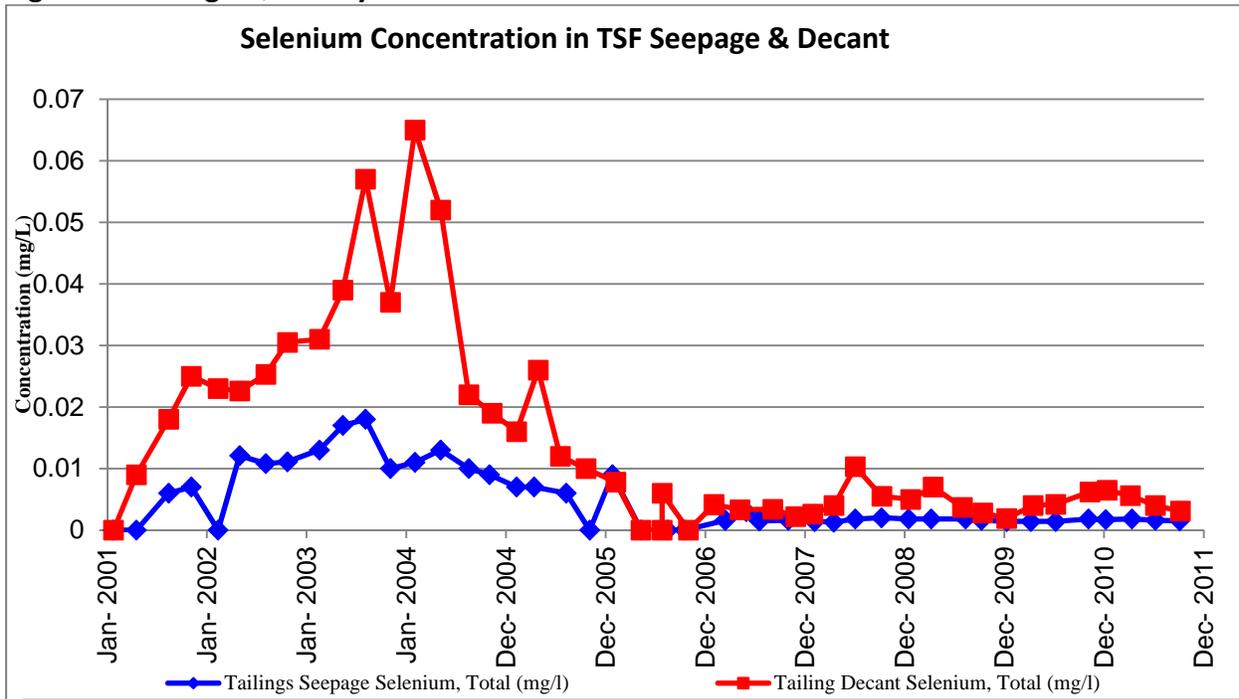


Figure 9: Average Quarterly Selenium Concentrations in Decant



8. FRESH WATER SUPPLY RESERVOIR and WETLANDS



Wetlands Upstream of Fresh Water Reservoir

The Alaska Department of Fish and Game (ADF&G) continues with their work on the water supply reservoir (WSR) and associated wetlands. In the 2011 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; and
- 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 2010 population estimate for Arctic grayling was 4,346 fish greater than 200 mm in length, which was an increase of 1,123 fish from the spring 2009 population estimate.
- A goal for burbot population was not previously set; however, a small self-sustaining spawning population exists.

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

- Development of a second wetland complex along the north side of the Fish Creek valley;
- Conversion of the existing Gil causeway into revegetated islands;
- Civil work in Last Chance Creek to mitigate aufeis;
- Continued maintenance of the road down the valley between the tailings dam and the freshwater reservoir;
- Construction of a passive water treatment wetlands below the tailing dam; and
- Removal of beaver dams to maintain Arctic grayling spawning in the developed wetlands.

On May 16, 2011, FGMI reported a release to the ADEC and the National Response Center of a biodegradable hydraulic fluid into the fresh water reservoir from the valve stem of the reservoir's

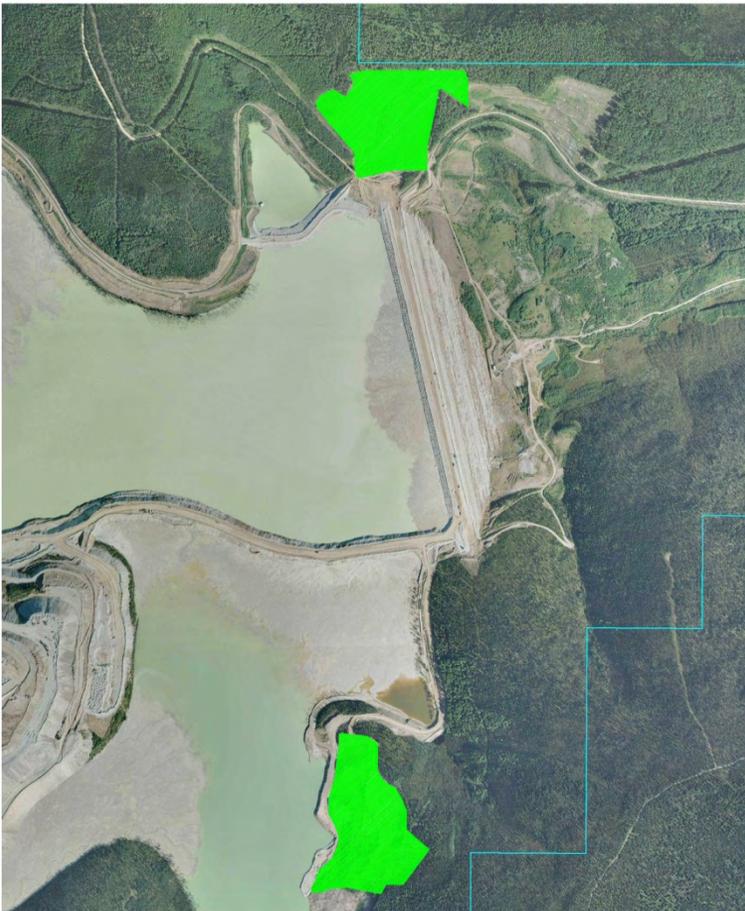
low level drain. Less than 17 gallons were estimated to have been released from the valve stem. The reservoir was not discharging during the event, and the release was contained upstream of the dam. Emergency spill procedures were implemented including containment and clean up actions. Repairs were completed on the valve stem and its lubricant replaced with higher viscosity food-grade grease. There were no visible effects as a result of the spill to resident fish, mallards, mergansers, ospreys, bald eagles or other biota near the release. Investigation of the release indicated that the release would have little or no long-term impact on the health of the reservoir's ecosystem.

9. RECLAMATION

FORT KNOX

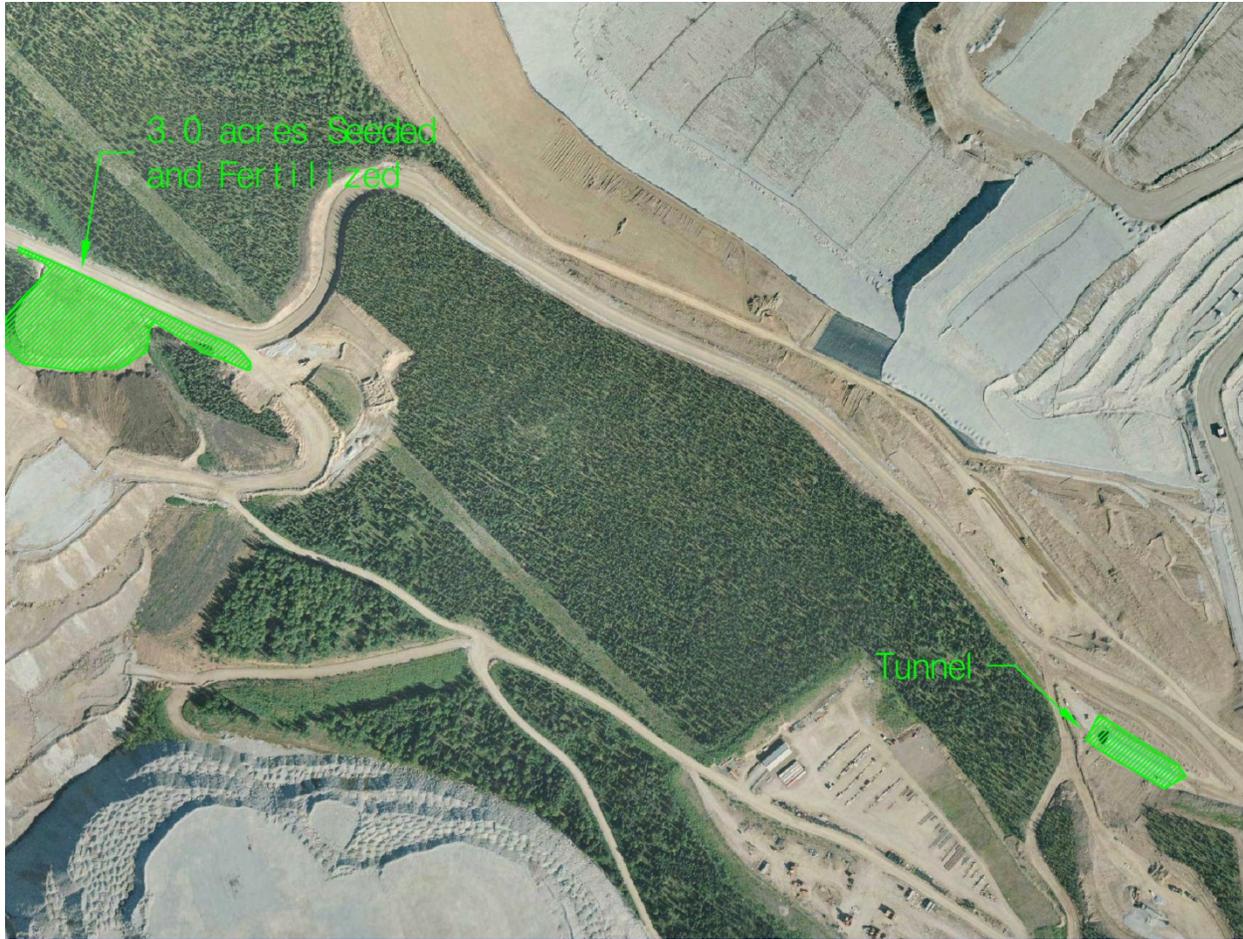
In 2011, reclamation and stabilization at Fort Knox was focused on the disturbance associated with the construction of the heap leach pad and TSF dam raise. The areas are associated with disturbance of borrow sources for sub-base materials and were contoured for proper drainage (Figure 10).

Figure 10: Borrow Sources Contoured



After the multi-plate tunnel was assembled and the new Barnes Creek road to the heap leach pad was constructed coconut blankets imbedded with seed and fertilizer were placed on the fill material above the openings for stabilization and increased safety for vehicles on the access road (Figure 11).

Figure 11: Stabilization of Fill at Tunnel and Organics Pile



Reclamation planned in 2012 includes fertilization of the previously reclaimed borrow areas, as well as any maintenance of revegetation that may be required.

The current reclamation plan for the Fort Knox Mine is under revision to incorporate comments provided by ADNR and ADEC. ACOE has approved the reclamation plan.

Growth media is stockpiled for use in final reclamation and closure. It is estimated that approximately four million cubic yards are required for final reclamation. Table 5 summarizes the volumes of growth media stockpiled:

Table 5: Fort Knox Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yards)
Yellow Pup GM Stockpile	617,000
TSF South GM Stockpile	56,454

Barnes Creek Phase 7 GM Stockpile	474,000
Pit Berm Surplus	184,795
TSF North GM Stockpile	2,301,067
Yellow Pup Phase 6 GM Stockpile	513,000
Walter Creek GM Stockpile	1,691,580
Total	5,837,896

TRUE NORTH MINE

Production from the True North Mine was terminated at the end of 2004. In 2009, the decision was made to abandon remaining reserves and to not continue with any additional mining at True North. When the decision was made in 2009 to complete final reclamation, there was no approved reclamation plan. ADNR began approving reclamation piece by piece by issuing Miscellaneous Land Use Permits for the planned reclamation activity. FGMI submitted updated reclamation plans for True North in January and July 2011. ADNR has completed their review of the updated July plan. Currently FGMI is reviewing and responding to their comments.

Reclamation of True North began in 2005 and encompassed approximately 124 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% Arctared Red Fescue, 20% Tundra Glaucous Bluegrass, 20% Gruening Alpine Bluegrass, and 10% 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.

Acreage completed in the summer of 2008 was seeded and fertilized. The True North reclamation performed in 2009 focused on completing the major earthwork. With the mild winter conditions in 2009, earthwork continued through much of the winter.

The largest reclamation project in 2010 was the remediation of the North Shepard dump slump. The scope of the project consisted of excavating the slump material down to the bedrock. Approximately 75,000 cubic yards of the material was hauled away from the slump and placed

on the pit floors as growth media. The slump was then graded, scarified, seeded and fertilized. Survey prisms were placed around and on top of the reclaimed area and are being monitored on a regular basis to track any movement. Since completion of the remediation, there has been minimal movement seen. Work in 2010 comprised 148.6 acres graded, placement of 13.8 acres of growth media, and 296.5 acres seeded and fertilized.

Reclamation activities during 2011 were minimal due to the fact that ADNR had not completed the review or approved the True North Reclamation Plans. However, FGMI continued with maintenance of the required areas. A total of 325.7 acres of previously reclaimed acres were fertilized, 5,708 lineal feet of water diversion ditches were repaired and 2.97 acres of settlement cracks were regraded. In addition to what is required by the State, FGMI planted 32,860 seedlings covering approximately 100 acres in 2011. By the end of 2011, 398.3 acres were graded, 394.1 acres had growth media placement and 397.1 acres were scarified, seeded and fertilized (Table 6).

Table 6: Reclamation Work Completed at True North through 2011

Area	Graded (acres)	GM Placement (acres)	Scarified (acres)	Seeded (acres)
East Pit Dump	50.5	50.5	50.5	50.5
Zep and Hindenburg Dump	86.3	86.3	86.3	86.3
Mid Shepard Dump	14.2	14.2	14.2	14.2
South Shepard Dump	68.6	68.6	68.6	68.6
North Shepard Dump	9.4	9.4	9.4	9.4
Hindenburg Dump	8.5	8.5	8.5	8.5
North Central Dump	5.9	5.9	5.9	5.9
North Louis Dump	17.7	17.7	17.7	17.7
South Louis Dump	19.2	19.2	19.2	19.2
Upper Louis Dump	16.4	16.4	16.4	16.4
Hindenburg Pit	53.2	53.2	53.2	53.2
Shepard Pit	38.5	38.5	38.5	38.5
Upper B Stockpad	1.2	-	-	-
East Pit GM Stockpile	3.0	-	3.0	3.0
Louis Road	5.7	5.7	5.7	5.7
Total	398.3	394.1	397.1	397.1

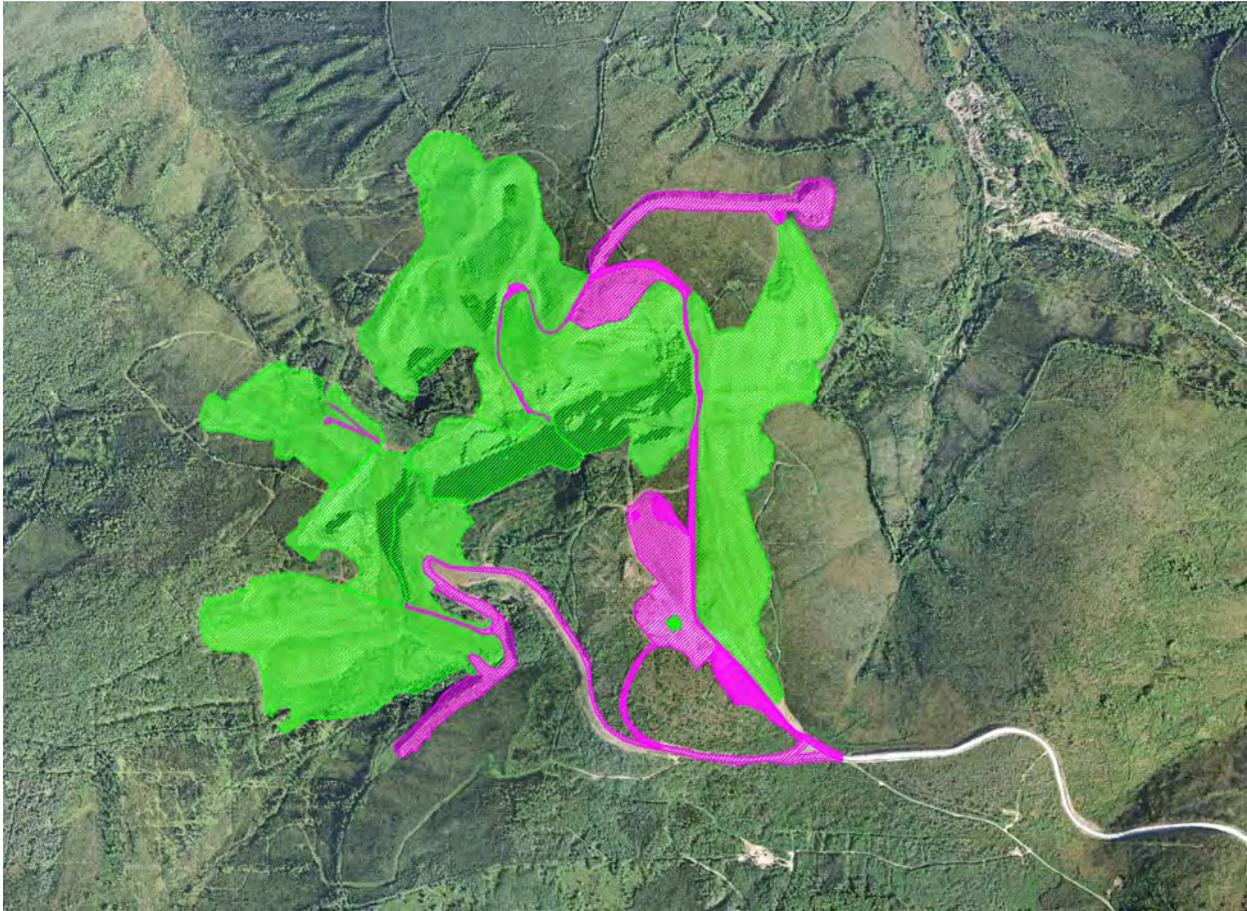
Table 7 summarizes the volumes of growth media stockpiled that remains at True North. The current stockpiled material is adequate to cover all existing disturbance to be reclaimed with one-foot of growth media.

Table 7: True North Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yards)
Shop Pad Growth Media Stockpile	43,000
Hindenburg Growth Media	10,000

Stockpile	
Total	53,000

If FGMI obtains an approved reclamation plan and contractors can be located to do the work, it is the intent of FGMI to complete major reclamation activities including earthwork, grading, growth media placement, revegetation and decommissioning of approved monitoring wells at True North in 2012.



Green Hatched Area Indicates Reclamation Performed to Date and Magenta Indicates Remaining Reclamation to be Completed at True North



True North Seedling Planting

10. FINANCIAL ASSURANCE

As required by ADNR, ADEC and ACOE, financial assurances were revised and updated to reflect current plans. The new financial assurance costs submitted to the agencies are \$65,785,797 for Fort Knox and \$4,345,608 for True North. These financial assurance costs are subject to revision with agency approval of the revised reclamation plans for Fort Knox and True North. Table 8 reflects the 2010 financial assurances and those proposed in the March 2011, Fort Knox and the July 2011, True North updates of the reclamation plans.

Table 8: Financial Assurance Amounts

Plan/Permit/Lease #	2010 Amount (\$)	2011 Proposed Amount (\$)
Fort Knox Reclamation and Closure Plan	\$37,083,406	\$65,785,797
True North Reclamation and Closure Plan	\$2,536,874	\$4,345,608
Total	\$39,620,280	\$70,131,405

11. MINE WATER USEAGE (WATER BALANCE)

The Fort Knox water balance tracks water movement throughout the mine-site, including natural processes such as precipitation, evaporation, and seepage as well as mine operation water needs. The water balance that Fort Knox uses was built by a contractor using GoldSim software. GoldSim is a graphical simulation software that enables FGMI to construct complex models simulating the water balance both dynamically (using historic data) and probabilistically (using statistical simulations based on known factors).

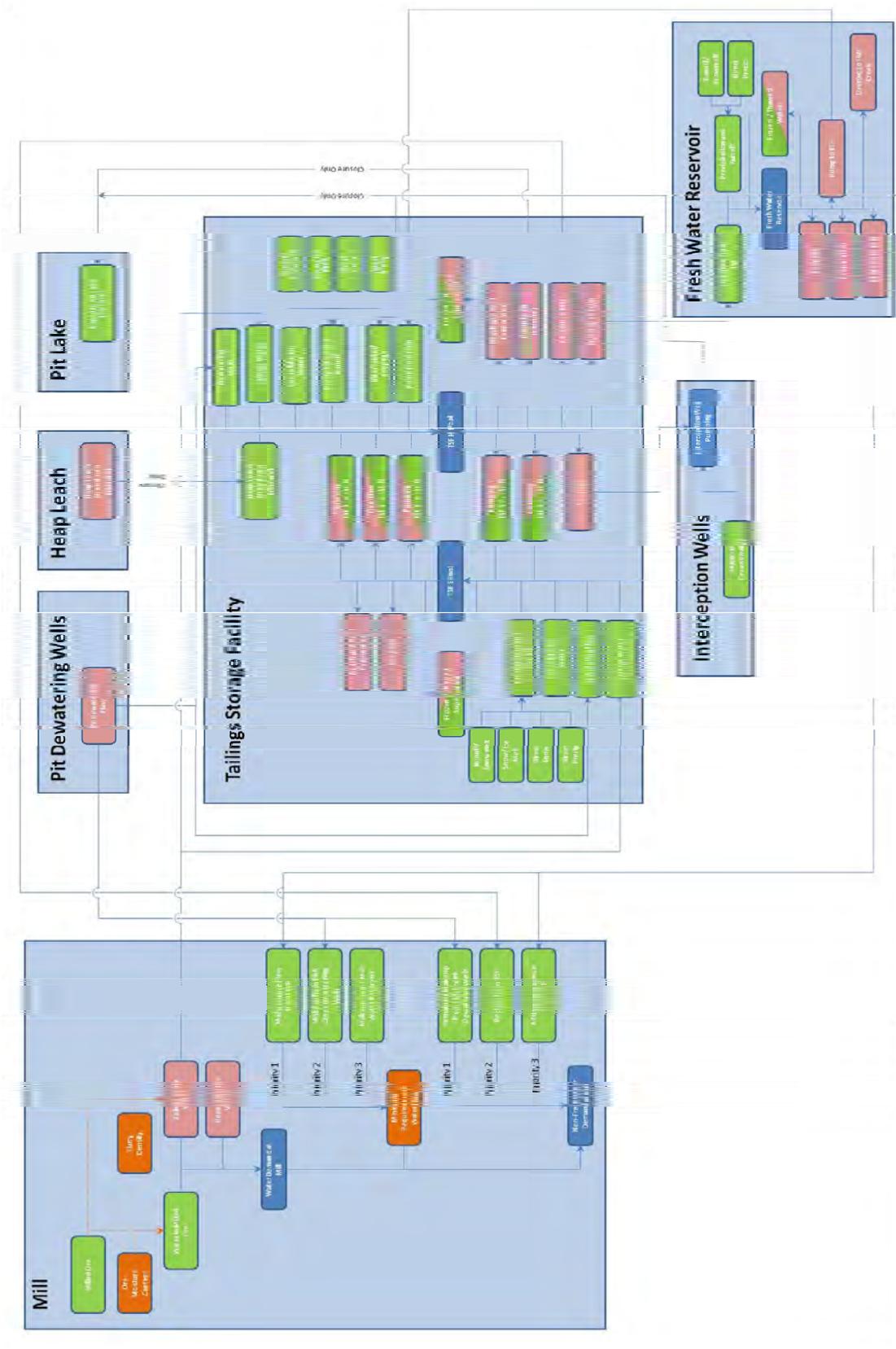
The Fort Knox operational water balance focuses on mining and milling activities and is calibrated to recorded data on a regular basis so that site processes may be accurately represented and continually updated to reflect changing mine operations. In this way, confidence in predictive values increases the longer the model is operated and mine planning and the closure design may be continually optimized. Data used in calibration activities includes: tailing pond and fresh water reservoir water levels, seepage rates, precipitation and evaporation records, pumping schedules, production data, mill water flows, tailings deposition schedules, pool bathymetry, and information on mine process changes. The water balance is recalibrated whenever the model shows that the predicted water balance differed from actual measurements by more than four percent.

The water balance is continually updated with the most current information, including natural water inflows/outflows and water use throughout the mine-site. The dynamic nature of the water balance enables FGMI to actively manage water on site, with the goal of minimizing water use and maximizing efficiency. Water uses at Fort Knox are summarized in Table 9. A diagram of the water balance model used by Fort Knox can be found in Figure 12.

Table 9: Fort Knox Water Balance Summary for 2011

Water Balance Process	Volume (ac*ft/year)
Fresh Water Reservoir (WSR) to Mill	154
Fresh Water Reservoir (WSR) to TSF	160
TSF to Mill	14,785
Mill to TSF (Estimated water in tailings slurry)	13,300
Heap Leach	0 (relative to TSF)
Pit Dewater to TSF	941
Seepage Reclaim	2,319

Figure 12: Fort Knox Water Balance Schematic



12. 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 2011 consisted of the following:

- Drilling, trenching, and reclamation at the Gil Project.
- Reclamation on the Gilmore Dome claims directly south of Fort Knox mine.

In 2012, 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.



In 2011, exploration identified additional deposits for potential future expansion of the pit. With the identification of the additional deposits, the contained reserves were 4.3 million ounces at the end of 2011.

13. SOCIOECONOMIC BENEFIT

FGMI commissioned a socioeconomic study in the spring of 2011 regarding the economic benefits that FGMI provides to the local and state economy. Results of the study found that FGMI is the 5th largest private employer in the Fairbanks North Star Borough (FNSB) and the 10th largest employer in FNSB of the private and government sectors. FGMI employed 502 employees at the time of the survey and had an annual total payroll of \$45 million. The average employee annual compensation package (wages and benefits) is approximately \$90 thousand, which is 2.1 times higher than the FNSB compensation package.

FGMI spent \$171 million in 2010 with approximately 400 Alaska based businesses. Of the \$171 million, 32% of the spending was done with Alaska wholesale and retail businesses, 21% was spent with Alaska utilities, 21% with Alaska fuel suppliers and 16% with Alaska construction firms. FGMI paid \$4.7 million for property taxes and \$11.1 million was paid to the State of Alaska for taxes and fees. Additionally, two-thirds of FGMI's employees own their homes and pay approximately \$1 million in FNSB residential property taxes.

The socioeconomic study indicated that an indirect 450 additional jobs were created in the FNSB with a \$31.7 million payroll. An additional 100 jobs were also created in Alaska for a \$9 million payroll. FGMI was responsible for total employment, including direct employment, of 1,050 statewide jobs with a payroll of \$86 million. Mine-related employment in the FNSB totaled 950 jobs and had a payroll of \$77 million.

With 100% of the FGMI employees living in the Fairbanks area, 63% of these households made cash contributions to local charities and organizations, 29% of the households volunteered with local events and organizations and 44% of the households donated material goods to local charities and organizations. These same employees demonstrate employment longevity with FGMI with 47% working at the mine 5 years or longer and 16% working at the mine 10 years or longer. Of the FGMI employees, 40% have lived in the Fairbanks area for greater than 15 years. The management team at FGMI averages 19 years in Alaska and have more than 22 years of mining experience.



