

KINROSS

Fort Knox

2012 ANNUAL ACTIVITY REPORT



February 2013

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1. INTRODUCTION

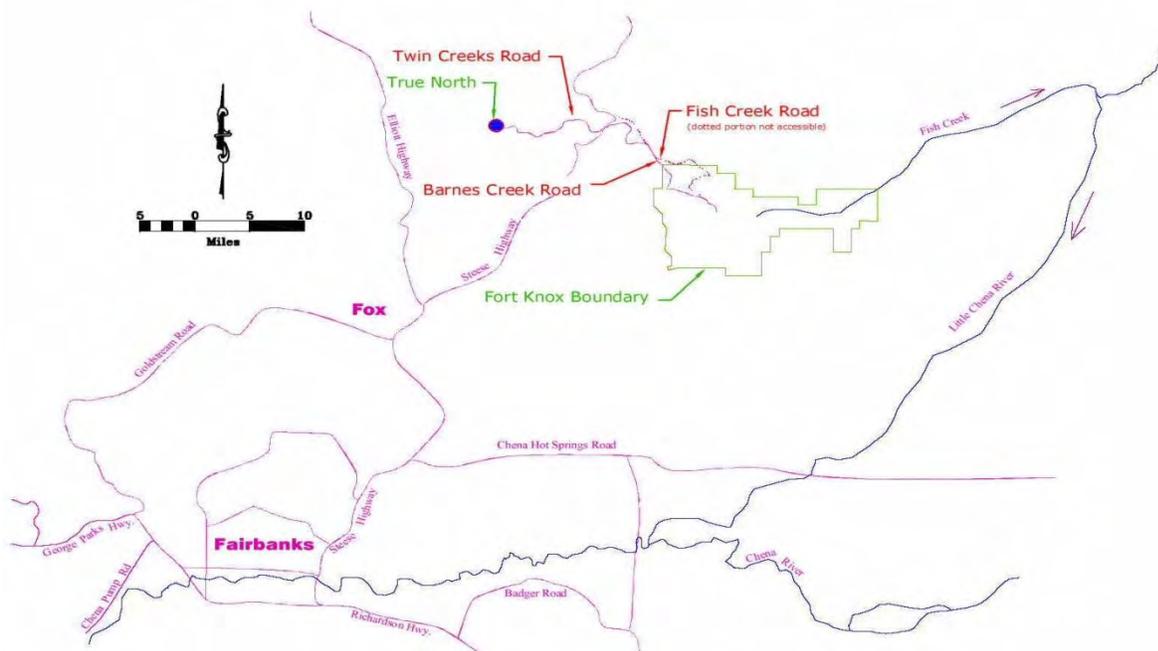
Fairbanks Gold Mining, Inc. (FGMI), a wholly owned subsidiary of Kinross Gold Corporation, has prepared this annual report to comply with the conditions described in Section 11.b. of the Amended and Restated Millsite Lease ADL Nos. 414960 and 414961 and the ADEC Waste Management Permit 2006-DB0043 for 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. Reclamation at the True North Mine was completed in 2012 and is under post-closure monitoring and maintenance. 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 2012, FGMI employed 565 people. Fort Knox produced 359,948 gold equivalent ounces in 2012.

This report describes the permitting, mining, milling, heap leach and reclamation activities during calendar year 2012 and planned activities for 2013.

Figure 1: Facility Locations



2. SUMMARY OF ACTIVITIES

In 2012, Fort Knox had a range of activities underway in the areas of production, construction, and permitting. In summary, these activities included:

- Construction of Stage 3 of the Walter Creek Heap Leach continued and was nearly completed by the end of the construction season;
- Construction of Stage 4 of the Walter Creek Heap Leach was initiated and approximately 57% was completed;
- Initiation of the Walter Creek Heap Leach Stage 5 construction began with clearing and grubbing activities;
- Construction of the second Carbon-in-Column (CIC) facility was initiated with completion scheduled for July 2013;
- Construction of additional pumping capacity from the Walter Creek Heap Leach pregnant solution pump station. The increased pumping capacity required drilling two additional wells increasing the system's pumping capacity from 8,000 gallons per minute (gpm) to 16,000 gpm;
- Construction initiated for a new fuel island with its completion in February 2013;
- Completed acquisition of 280 acres, surface interest only, from the Alaska Mental Health Trust Land Office for the expansion of the Walter Creek Heap Leach and the Barnes Creek Waste Rock Dump; and
- True North reclamation completed in August 2012 and is under post-closure monitoring.



In 2013, the major activities planned include:



- Complete construction of Stage 3 of the Walter Creek Valley Fill Heap Leach;
- Complete construction of Stage 4 of the Walter Creek Valley Fill Heap Leach;
- Obtain approvals of the Fort Knox reclamation and closure plan from ADNR and ADEC;
- Obtain necessary permits to expand the Walter Creek Valley Heap Leach from 161 million tons to 307 million tons;
- Complete construction of the second CIC plant;
- Replacement and repair to the carbon strip equipment in the mill;
- Complete construction of the new fuel island;
- Obtain approval to decommission the old fuel island from ADEC and decommission the old island;

- Obtain approvals for the expansion of the Barnes Creek Waste Rock Dump; 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 2012:

- In January, BATFE issued Federal Explosive License/Permit #9-AK-090-22-5A-12031;
- In January, ADNR approved the design change for the enlargement to the Walter Creek Heap Leach Pregnant Solution Pump Station;
- In February, ADNR approved a Plan of Operations amendment for Walter Creek Heap Leach clearing for the 2012 construction season;
- In March, ADNR issued Burning Permit #F1255912B;
- In April, Alaska Department of Revenue issued annual Mining License #100051
- In May, ADNR approved a Plan of Operations modification for the construction of the Carbon in Column Plant #2;
- In May, USDOT issued Hazardous Material Registration #063009552048RT;
- In June, ADNR issued approval for the Plan of Operations Amendment for installation of the new fuel island;
- In June, ADNR approved a Plan of Operations modification for a topsoil stockpile located north of the Walter Creek Heap Leach Facility;
- In July, ADEC, Division of Water reissued Waste Management Permit #2006-DB0043;
- In July, ADNR approved the extension of the Fort Knox Mine Project Final Plan of Operations Amendment;
- In July, ADNR approved a Plan of Operations amendment for the construction design details of the Carbon in Column Plant #2 and associated Walter Creek Heap Leach solution lines;
- In August, ADEC, Division of Water issued Alaska Pollutant Discharge Elimination System (APDES) Permit #AK0053643 for discharge into the Old Fish Creek Channel;
- In September, ADNR issued Certificate of Approval for modifying the TSF dam;
- In September, ADEC, Division of Air Quality issued the Final Title V Air Quality Control Operating Permit #AQ0053TVP02;
- In September, ADNR approved a Plan of Operations modification for a growth media stockpile west of the Yellow Pup Waste Rock Dump;
- In November, ADEC, Division of Water issued final approval to operate a 1,000 gallon holding tank at the Warehouse Facility;
- In December, ADEC, Division of Air Quality issued the Title 1 Air Quality Control Minor Permit #AQ0053MSS04; and
- In December, ADNR issued approval to operate a portion of the Walter Creek Heap Leach Stage 4.



The following is a list of the planned permitting activities for FGMI in 2013:

- Obtain approval for decommissioning the old fuel island from ADEC;
- 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 in-lieu fee mitigation for 2.3 acres of wetlands in the Yellow Pup drainage from ACOE; and
- Obtain approval for the Fort Knox reclamation plan from ADNR, ADEC and ACOE.

4. LAND STATUS

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 and property transfer process was completed in 2012 with the title of the property conveyed to Fort Knox on December 14.

5. SAFETY

PEOPLE

The year 2012 saw many great safety accomplishments within the various departments. 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 and has worked three years (501,219 hours) without a reportable incident. Mill maintenance has not had a loss time incident since July 2003. Mobile Equipment Maintenance has not had a loss time incident since December 2006 and has worked one year (230,020 hours) without a reportable incident.

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.

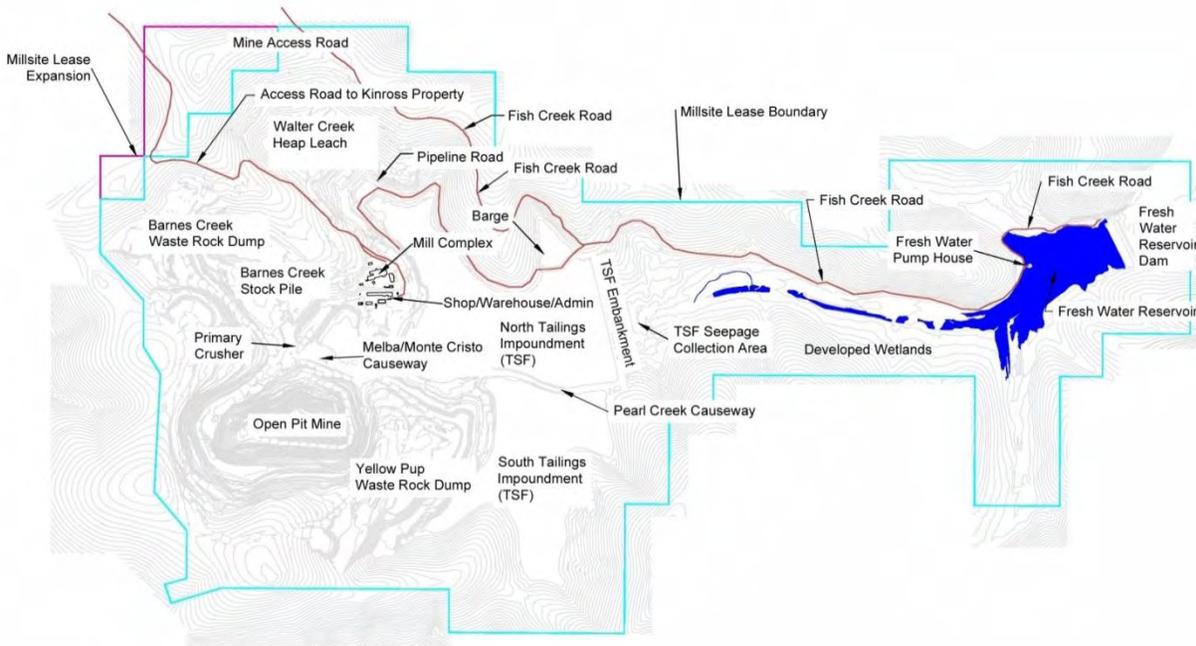


MINE ACCESS

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 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 2012. Similarly, there were no complaints of noise in 2012.

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.

Figure 2: Local Roads and Mine Facilities



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. Meetings with ADNR continued in 2012. A formal application will be submitted to the Trails and Easement Section with alternate routes for review in 2013. As part of this process, a public notice, meeting, and comment period are tentatively planned for 2013.

6. MINE OPERATIONS

PIT PRODUCTION

In 2012, FGMI mined 63.1 million tons of ore and waste from the Fort Knox pit with an average production rate of 173 thousand 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
2012	10.42	3.19	54.26	34.53	63.12
Total	191.07	60.24	93.54	361.0	666.63

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.

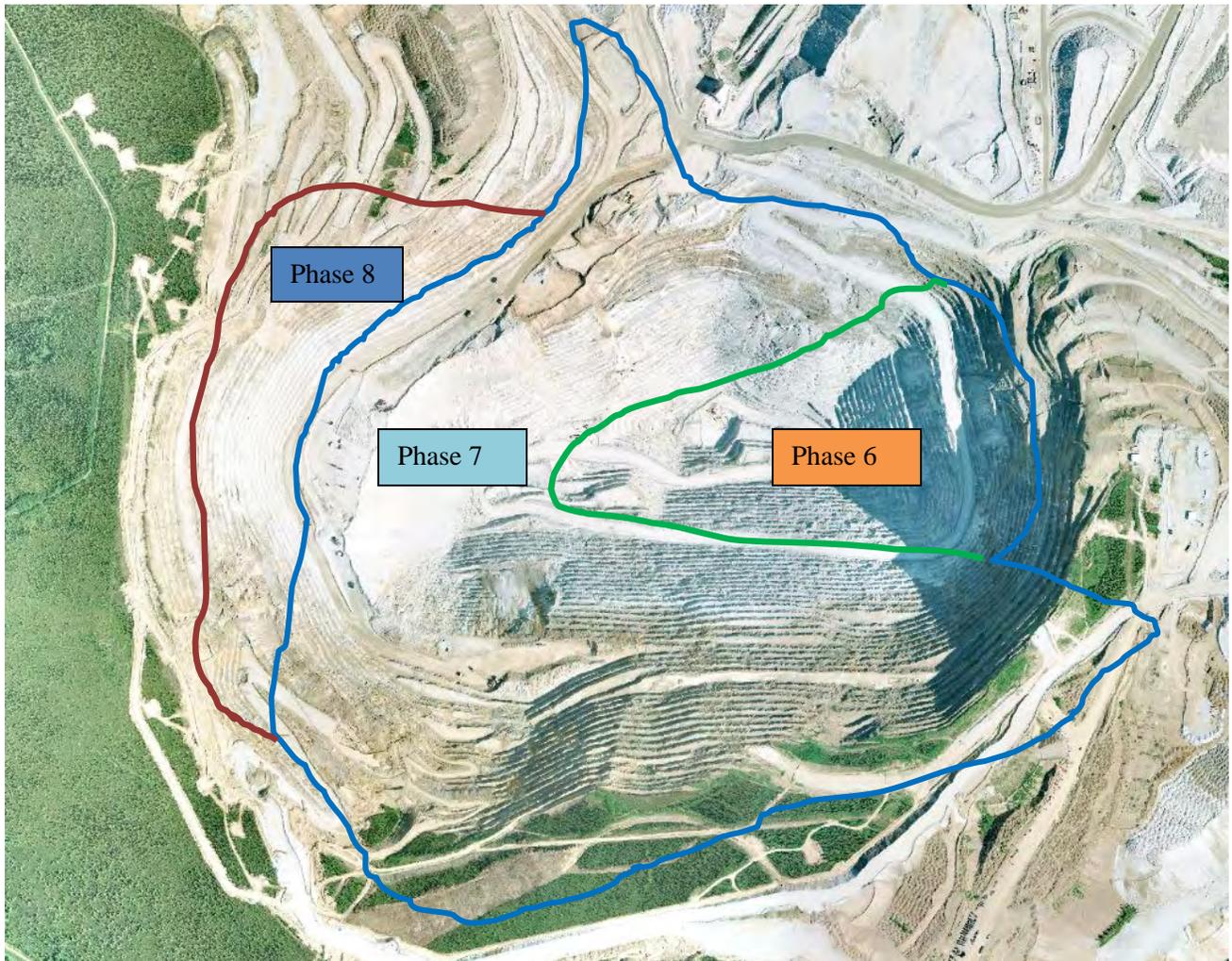
In 2012, mining within the Fort Knox open pit occurred in Phase 7 (Figure 3). FGMI expanded the existing Fort Knox pit along the West and South edges which are included in the Phase 7 expansion. This area adds 63.9 million tons to the mining plan. Phase 7 stripping commenced in the 4th quarter of 2008. Stripping continued into 2012 before sustained ore was achieved. Additional stripping will continue in 2013 to continue sustained ore feed to the mill. Mining in Phase 7 will continue until late 2017. The mill is scheduled to operate until late 2017. As a

result of accelerated haulage, the haulage of stockpiled ore will be completed in 2016. Heap leach ore will continue to be hauled from the pit and placed on the pad through 2020.

The remainder of the Fort Knox pit consists of 248 million tons of waste and 166 million tons of ore with the current economic guidance. The Fort Knox pit is divided into two remaining phases, Phase 7 and Phase 8. Each phase is an expansion of the existing pit. As stated above, Phase 7 will be mined out by the end of 2017. Currently, the mill is scheduled to be decommissioned in 2017 at the completion of mining Phase 7.

Due to the rise in gold prices and process improvements, Fort Knox saw the opportunity to include a west layback of the current pit. This layback is Phase 8, and it is scheduled for mining to begin in 2016. Ore from Phase 8 is planned to be stacked as run-of-mine on the leach pad. This phase of the pit is planned to deliver ore from 2017 until mining activities end in 2020.

Figure 3: Fort Knox Pit Phases



The planned pit production for 2013 is summarized in Table 2.

Table 2: Planned Mining Tons for 2013

(Tons x 1,000)	Mill Grade	Low Grade	Leach Stockpile	Waste	Total
Fort Knox	11.85	9.18	10.63	42.21	73.87

PIT DEWATERING

As of the end of 2012, the dewatering system included a total of 24 in-pit wells and three causeway wells (located north and out of the pit in the Barnes Creek/Fish Creek drainage) for a total of 27 dewatering sources. Through the course of 2012, two wells were taken offline (DW 253 and DW 258) and one new well in the north sector, DW 298, was brought online to replace DW 258. The average pumping rate from the dewatering system in 2012 was 815 gpm with 513 gpm from the pit wells and 302 gpm from the causeway wells. The total pumping rate for 2012 was approximately 2% lower than the 2011 rate, with the pit well production decreasing by 12% and the causeway wells increasing by 21%. The increase in the causeway wells pumping rate, especially DW 228, is thought to be due to a change in tails deposition that caused an increased influx of water into the Fish Creek Aquifer. Piezometers are monitored twice weekly for changes in water levels. There are plans to model the Fish Creek Aquifer and surrounding hydrological influences. Total water pumped to the tailing impoundment from dewatering in 2012 was 827 acre feet (268,409,995 gallons). Roughly 158,884,233 gallons (488 acre feet) were pumped from the causeway wells directly to the Mill.

The current TSF design does not have capacity in the TSF to contain all water until the end of mine life. An Alaska Pollutant Discharge Elimination System (APDES) permit application was submitted to the Alaska Department of Environmental Conservation (ADEC), Division of Water in early 2012. ADEC granted FGMI an APDES permit in August 2012 and effective October 2012 to discharge non-process and non-contact groundwater extracted from pit dewatering wells into the Old Fish Creek Channel from which it will flow to the freshwater reservoir. Since receiving the APDES permit, there has been no discharge of dewatering well water and no formal plans to do so have been made. In order to accommodate storage of all water, plans are currently being developed to construct another TSF dam raise of 15 feet or less to provide the additional storage capacity required.

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 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, 2012.

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
2012	14.55
Total	232.55

The projected mill throughput for 2013 is approximately 14.45 million tons and gold production is estimated at 251,947 ounces.



There were 48 wildlife mortalities in July 2012. 46 Swallows died on July 5, 2012, when 0.5-gallon of cyanide solution leaked from a 2-inch pipe connection in the building above Leach Tank 1 onto the Swallows' nests located on the underside of the building that extends over the tank. Fort Knox reported the incident to the agencies as required. US Fish and Wildlife personnel visited the site on July 20, 2012, and upon their inspection and discussion with Fort Knox personnel, they requested that Fort Knox implement measures to prevent future nesting in this location. In-place wire screen was constructed under the building to prevent the swallows from building nests in 2013.

8. 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 2012, approximately 33.34 million tons of ore were placed on the heap leach. Since the loading of heap leach ore began in 2009, a total of approximately 71.1 million tons have been placed on the heap leach, and 302,428 ounces of gold have been produced.



In 2011, construction of Stage 3 of the heap leach pad began and its construction continued in 2012 and will be completed in 2013. The Stage 4 construction of the heap leach pad began in 2012 and is scheduled for completion in 2013. Projected heap leach ore placement for 2013 is 31.1 million tons. The heap leach gold production for 2013 is estimated to be 173,400 ounces.



A release of approximately 2,800 gallons of heap leach barren solution containing 3.28 pounds of cyanide occurred from an inadvertently damaged 12-inch heap leach distribution line by a dozer ripper on August 23, 2012. ADEC was notified of the release in accordance with spill reporting requirements. The solution flowed off of the heap leach containment on two roads accessing the heap leach. Response and cleanup actions began immediately and were deemed complete on August 25, 2012 after Fort Knox personnel conducted preliminary sampling of the cleaned area and analysis of the samples for WAD cyanide. The sample results were below 3.3 ppm for WAD cyanide, and the ADEC cleanup threshold is 27 ppm. There was no discharge or impact to waters of the United States. There was no discharge or impact to undisturbed land. There were no injuries. ADEC required FGMI to perform verification sampling/analysis using an independent consultant. Upon ADEC approval of the verification sample work plan, the independent consultant performed field sampling activities, and laboratory analysis of the samples were below laboratory quantitation limits for WAD cyanide (well below ADEC cleanup threshold), which confirmed the cleanup was complete. A final investigation report was submitted to the ADEC on September 21, 2012.

Several actions were taken by FGMI to prevent a reoccurrence of the spill and included:

- Personnel training;
- Installation of delineation measures of distribution lines near the edge of the heap leach liner; and
- Improved secondary containment where haul roads access the pad to direct solution flows to infiltrate the heap leach material and flow back to the in-heap storage pond as it would under normal operation.

9. 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 Storage Facility

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 September 2012 showed the decant pond contains approximately 5,113 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

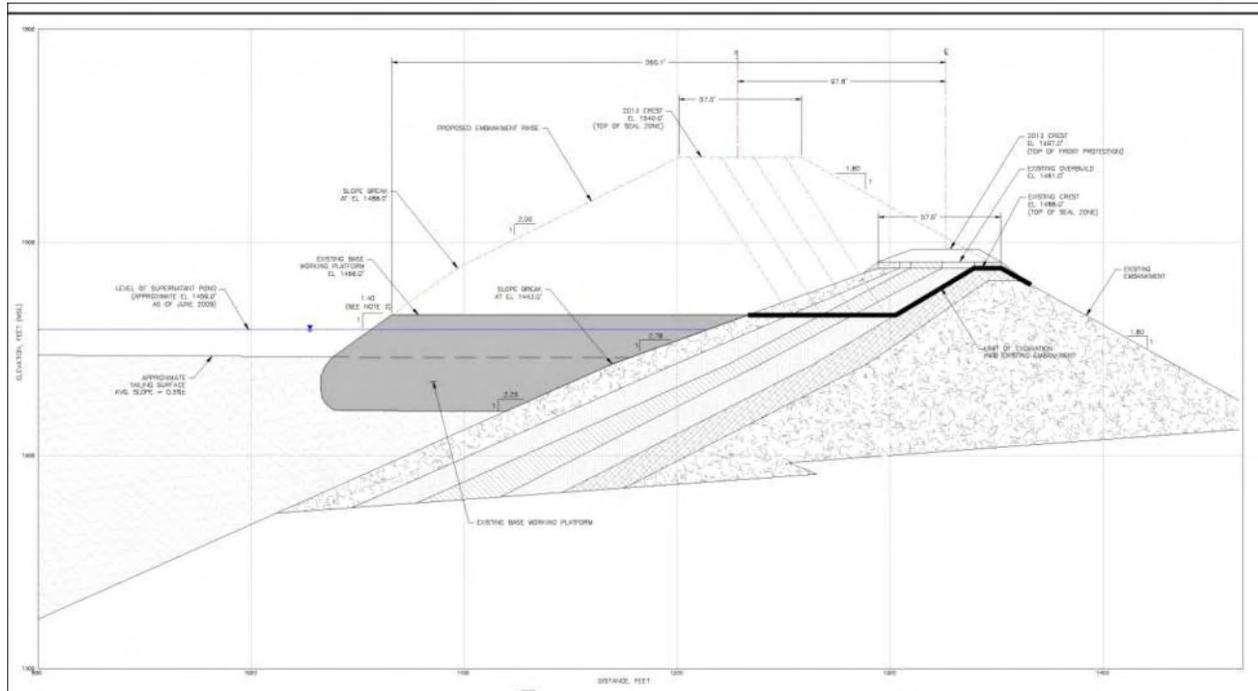
During the 2011 and 2012 construction seasons, tailings were deposited along the dam face by spigoting. The main tailings line ran along the upstream dam face at the 1505 elevation of the engineered random fill. The tailings flowed into 8-inch spigot pipes evenly spaced along the dam face. The purpose 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

Construction of a 52-foot raise of the TSF dam began in 2011 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 current mine life. Increases in planned production with the addition of Phase 7 would have exceeded the capacity of the TSF without the 52-foot raise. The dam raise is a modified centerline construction as depicted in Figure 4.

Construction of the 52-foot dam raise requires two years. A 27-foot raise was completed during 2011, and the remaining 25 feet is scheduled for construction in 2014. Once completed, the dam will be constructed to its design height of 1,540-foot elevation.

Figure 4: TSF Modified Centerline Design



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).

Most of the seepage passing beneath the dam feeds into a large lined sump where water from the pump-back system and interceptor system is pumped back to the decant pond at an average rate of approximately 1,716 gpm for 2012. 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 119 gpm (Table 4). In order to keep the interceptor system operating at peak efficiency in 2012, four of the system's wells were rehabilitated (mechanically scrubbed), seven



Pump House at the Toe of the TSF Dam

of these wells received new pumps, and drop pipe was replaced in two wells. There were no new interceptor wells installed in 2012 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.

Figure 5: Interceptor System

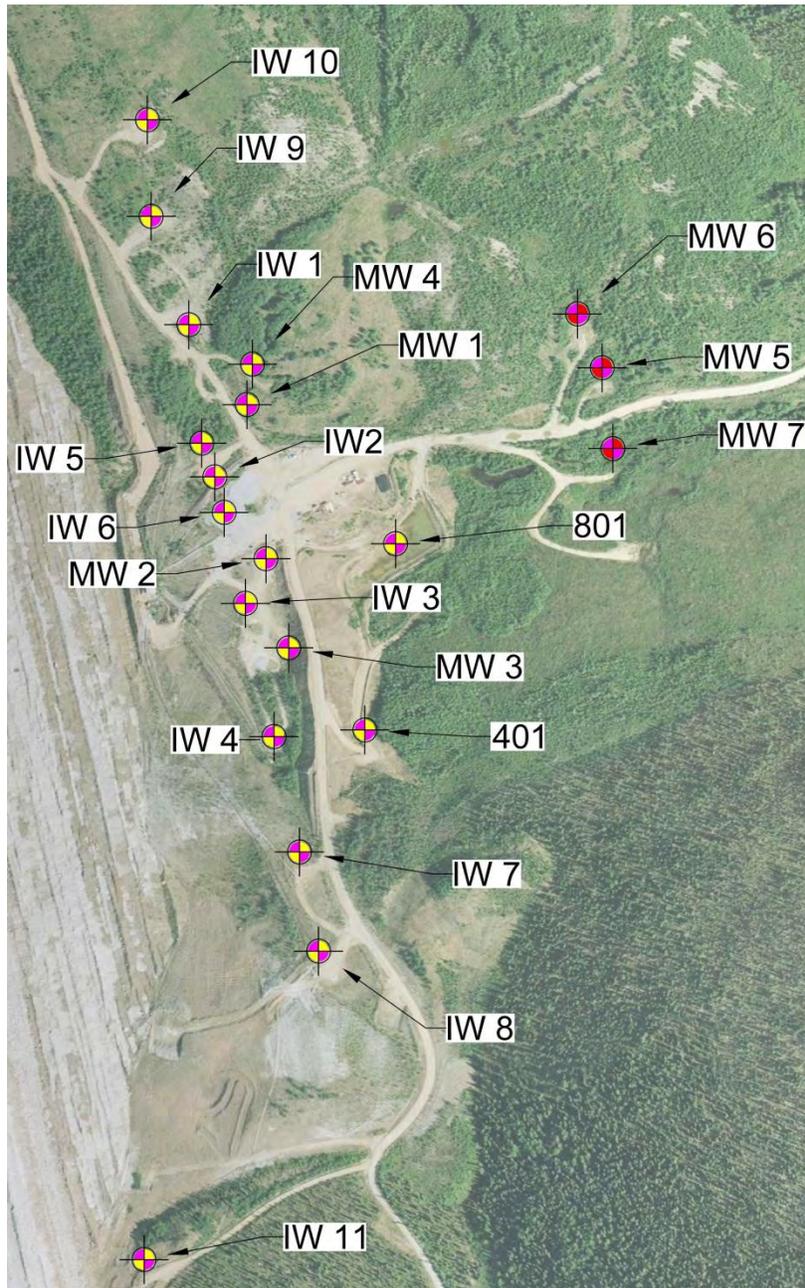


Table 4: TSF Interceptor System Pumping Rates

Well ID	Approximate Average Pumping Rate (gpm)	Well Depth (ft)
IW-1	58	320
IW-2	8.7	329
IW-3	20	310
IW-4	25.3	330
IW-5	89	380
IW-6	19	380
IW-7	21	197
IW-8	119	184
IW-11	18	296
MW-1	18	305
MW-3	6	296
Well 401	9	36
Toe Drain (501)	16.8	n/a
Total	428	

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

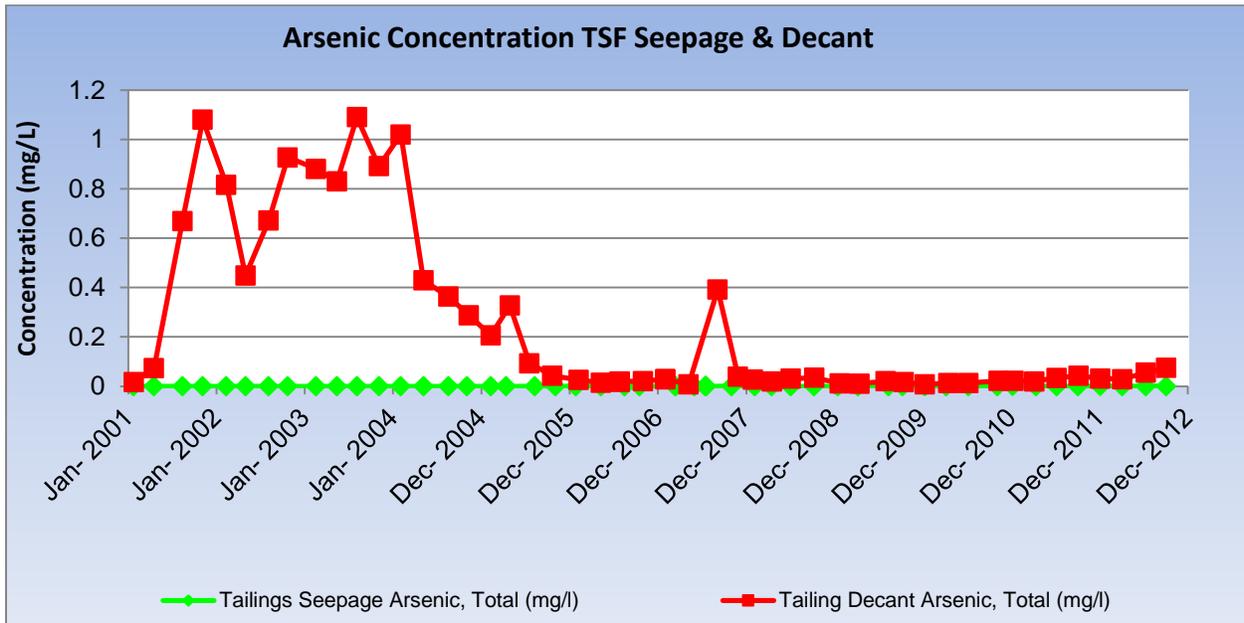


Figure 7: Average Quarterly Lead Concentrations in Decant

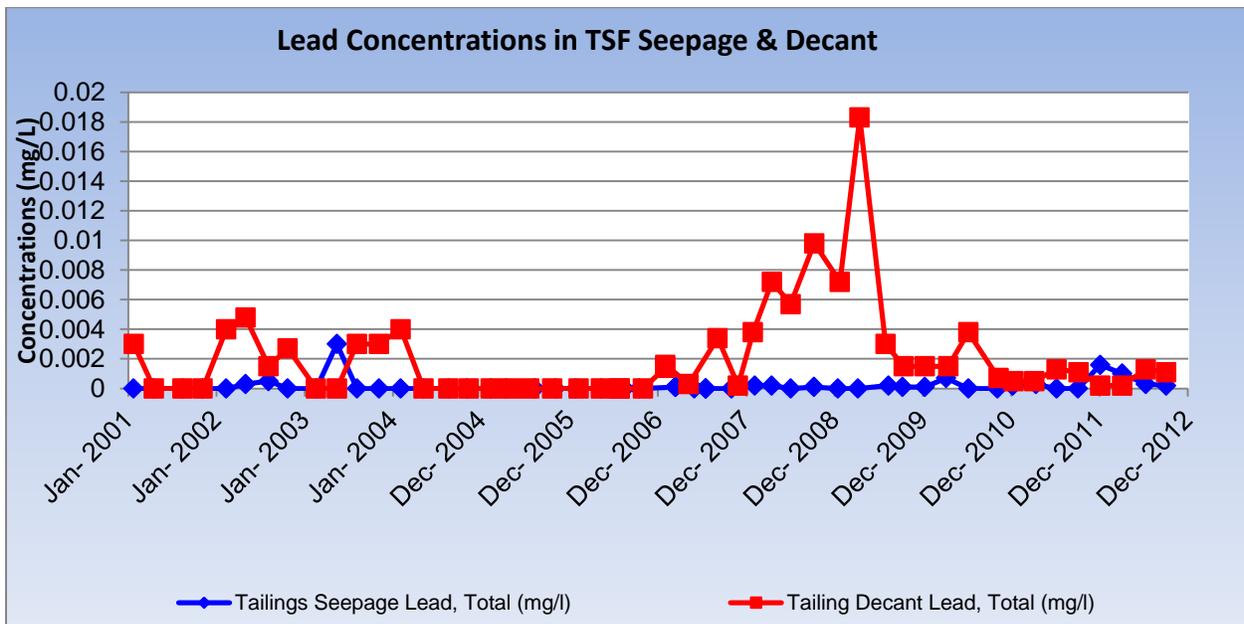


Figure 8: Average Quarterly Antimony Concentrations in Decant

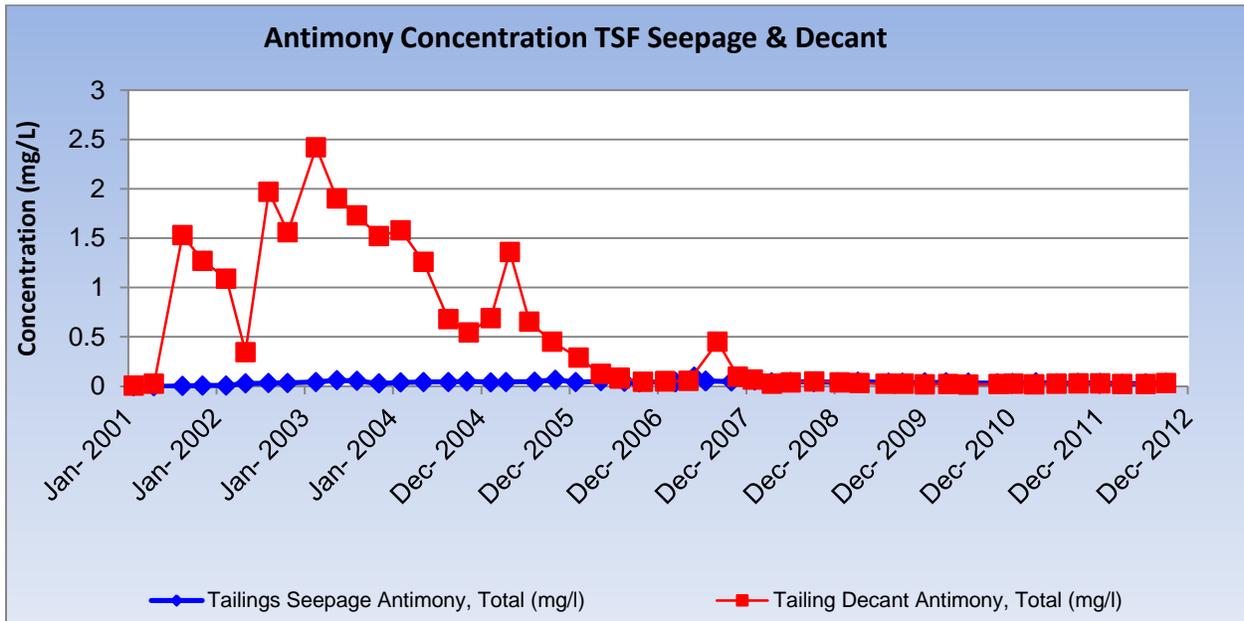
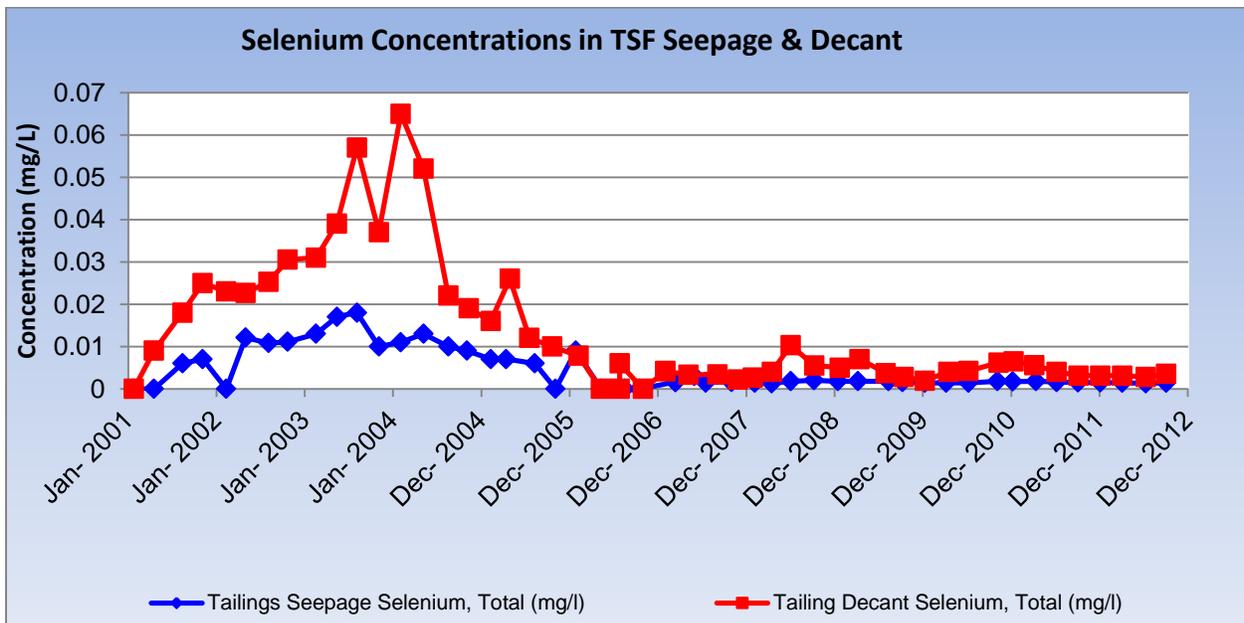


Figure 9: Average Quarterly Selenium Concentrations in Decant



10. 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 2012 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 2011 population estimate for Arctic grayling was 7,378 fish greater than 200 mm in length, a substantial increase from the 2010 estimate of 3,223 fish. Except for the 2005 Arctic grayling estimate, this is the highest population estimate made since the fresh water pond was built.
- 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;
- Continued maintenance of the road down the valley between the tailings dam and the freshwater reservoir.

In June 2012, the Solo Creek causeway on the north side of the WSR had road damage occur above the 12 feet diameter culvert. Subsequent investigation was inconclusive to the cause of the road damage. Although Solo Creek water continues to flow to the WSR, Fort Knox will continue investigation in 2013 and take appropriate action.

In the summer of 2012, the culvert connecting the head of Pond C to the north side of the Fish Creek valley was removed at the request of ADF&G which will allow high runoff flows to remain in the north side drainage of the Fish Creek valley.

11. RECLAMATION

FORT KNOX

In 2012, stabilization at Fort Knox was focused on the heap leach growth media location. A portion of the stockpile started to settle and crack, the area was graded and scarified (Figure 10).

Figure 10: Heap Leach Growth Media Location



Reclamation planned in 2013 includes fertilization of the previously reclaimed borrow areas, as well as any maintenance of revegetation that may be required.

A revised reclamation plan for Fort Knox Mine submitted in January 2013 is currently under review with ADNR.

Growth media is stockpiled for use in final reclamation and closure. It is estimated that approximately four million cubic yards (cy) are required for final reclamation. Table 5 summarizes the volumes of growth media stockpiled and borrow areas that exist and are planned. A survey to determine the amount of growth media available will be done after the dam raise and heap leach construction has been completed. A portion of the growth media stockpiled and available borrow sources have been used because of its suitability for use as engineered seal and filter material for the TSF dam and engineered sub-base for the heap leach.

Table 5: Fort Knox Growth Media Stockpile and Borrow Quantities

Site	Volume (CY)
Yellow Pup GM Stockpile	617,000
Yellow Pup Phase 6 GM Stockpile	513,000
Yellow Pup Phase 7 and 8 GM Stockpile	259,740
Walter Creek GM Stockpile	550,000
Tailings South GM Stockpile	291,400
Tailings North GM Borrow Area	3,186,400
Pit Berm Surplus GM Stockpile	184,795
Barnes Creek Phase 7 GM Stockpile	474,000
Total	6,076,335

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 May 2012. The reclamation plan approval was issued by ADNR on July 26, 2012.

Reclamation of True North began in 2005 and encompassed approximately 124 acres. Approximately 100 acres were successfully stabilized. 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 a Nitrogen (N) -Phosphorous (P) - Potassium (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. During 2012, it was noticed some small cracks were starting to form; the area was regraded seeded and fertilized. 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 was 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, 83.2 acres had growth media placement and 397.1 acres were scarified, seeded and fertilized.

Reclamation activities in 2012 included, clearing of 5.7 acres, 159 acres graded, 198,400 cy of material excavated, 174 acres scarified, 47,400 cy of growth media placed and 2,495 lineal feet (lf) of RS2477 trails installed.

An accelerated construction schedule was implemented to accommodate the application of seed and fertilizer. Aerial broadcasting of seed and fertilizer was completed with a helicopter on August 27. There were 159 acres that received seed and 480 acres received fertilizer. Table 6 identifies the True North reclamation work completed.

The True North annual inspection by ADNR was performed on October 2, 2012. During this inspection, ADNR concluded all major earthwork and reclamation appeared to be complete, and FGMI could continue with post-closure monitoring. During 2013, all acreage disturbed will be fertilized and any areas that might require maintenance will be addressed. In accordance with the approved True North monitoring plan and post-closure status, 14 monitoring wells, two production wells, and three thermistor wells will be decommissioned in 2013.

Table 6: Reclamation Work Completed at True North through 2012

Area	Graded (acre)	Growth Media Placement (acre)	Scarified (acre)	Seeded and Fertilized (acre)
Dumps				
East Pit Dump	47.5	-	47.5	47.5
Zep and Hindenburg Dump	86.3	-	86.3	86.3
Spruce Creek (within Zep&Hind dump footprint)	10	-	10	10
Mid Shepard Dump	16.28	14.2	14.2	14.2
South Shepard Dump	68.6	-	68.6	68.6
North Shepard Dump	21.3	-	21.3	21.3
East Shepard Dump	4.2	4.2	4.2	8.9
Hindenburg Dump	8.5	-	8.5	8.5
North Central Dump	13.1	-	13.1	13.1
North Louis Dump	17.7	-	17.7	17.7
South Louis Dump	19.2	-	19.2	19.2
Lower AB Dump	13.6	13.6	13.6	13.6
Upper Louis Dump	16.4	-	16.4	16.4
Pits				
Hindenburg Pit	32.4	32.4	32.4	32.4
North Central Pit	12.3	12.3	12.3	12.3
Shepard Pit	38.5	38.5	38.5	38.5
Stockpads				
Upper A Stockpad	5.6	5.6	5.6	5.6
Upper B Stockpad	1.5	1.5	1.5	1.5
Roads				
Louis Road (with-in Louis Dump)	5.7	-	5.7	5.7
ANFO Pad / Explosives Road	16.4	16.4	16.4	16.4
Shop Pad	21.4	-	21.4	21.4
Growth Media				
Shop Pad Growth Media	2.3	-	2.3	2.3
East Pit Growth Media	3	-	3	3
Hindenburg Growth Media	2.2	-	2.2	2.2
Total	483.98	138.7	481.9	486.6

The following photos are select areas that have been reclaimed:

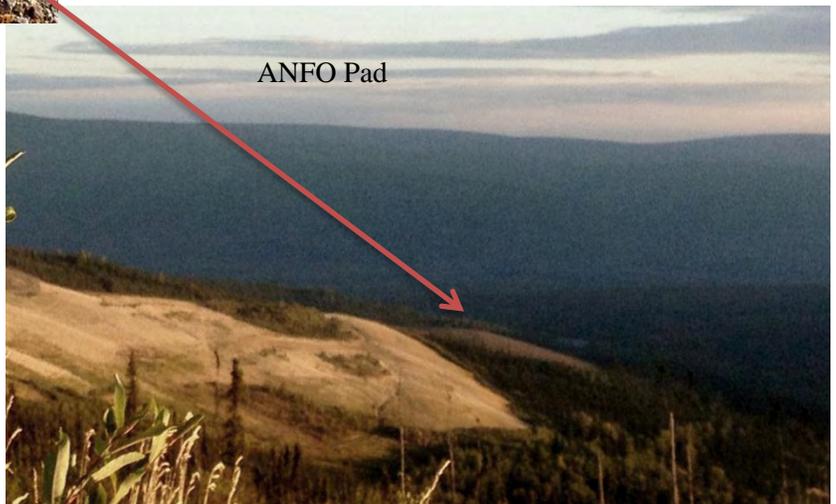


Birdseye View of the East and Mid Shepard Dump Post Reclamation

ANFO Pad before Reclamation



ANFO Pad after Reclamation



ANFO Pad

12. FINANCIAL ASSURANCE

As required by ADNR, ADEC and ACOE, the financial assurance amounts were revised and updated to reflect current plans for Fort Knox and True North. The new financial assurance amounts submitted to the agencies are \$81,316,076 for Fort Knox and \$3,066,526 for True North. The financial assurance amount for Fort Knox is subject to revision with agency approval of the revised reclamation plan for Fort Knox. The financial assurance amount currently in place for Fort Knox is \$65,785,767. Table 7 reflects the financial assurance proposed for Fort Knox and in place for True North.

Table 7: Financial Assurance Amounts

Plan/Permit/Lease #	Proposed Amount (\$)
Fort Knox Reclamation and Closure Plan	\$81,316,076
True North Reclamation and Closure Plan	\$3,066,526
<i>Total</i>	<i>\$84,382,602</i>

13. 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 8. A diagram of the water balance model used by Fort Knox can be found in Figure 11.

Table 8: Fort Knox Water Balance Summary for 2012

Water Balance Process	Volume (ac*ft/year)
Fresh Water Reservoir (WSR) to Mill	73
Fresh Water Reservoir (WSR) to TSF	8.7
TSF to Mill	14,052
Mill to TSF (Estimated water in tailings slurry)	11,934
Heap Leach	0 (relative to TSF)
Pit Dewater to TSF	827
Seepage Reclaim	4,035

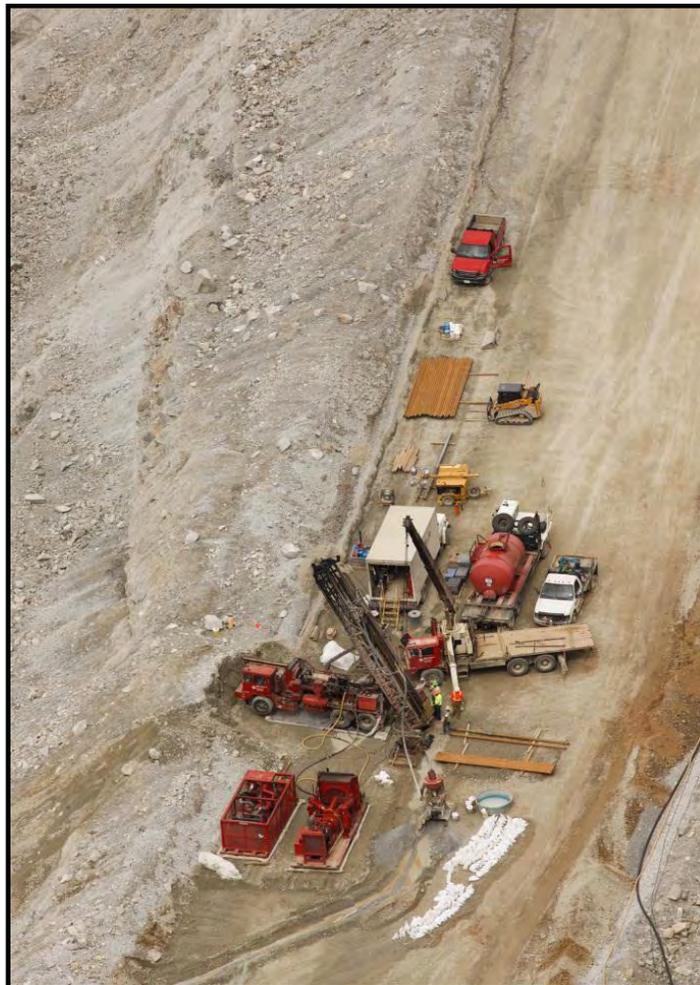
14. EXPLORATION

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 2012 consisted of the following:

- Drilling, trenching, and reclamation at the Gil Project.

In 2013, 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.



15. COMMUNITY AFFAIRS

FORT KNOX EXTERNAL STAKEHOLDER GRIEVANCE PROCEDURE

Stakeholder feedback, be it positive or negative, is instrumental in providing Fort Knox with a platform upon which its operational and social performance can be regularly evaluated and modified to meet commitments to leading practice and continuance improvement. The objective of our grievance procedure is to outline Fort Knox's commitment to demonstrate a transparent and trustworthy approach to issues management and to ensure that stakeholders can effectively communicate with Fort Knox.

External stakeholder grievances should be directed to the Community and Government Relations Manager (907-490-2218) who serves as the primary site point of contact and will work closely with the General Manager and appropriate department managers to monitor the grievance until it is closed.



June 2012 Family Day