

**FORT KNOX MINE
KINROSS GOLD COMPANY**



**2006 ANNUAL ACTIVITY REPORT
MARCH 2007**

2006 ANNUAL ACTIVITY REPORT

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1. INTRODUCTION

Fairbanks Gold Mining, Inc. (FGMI), a wholly owned subsidiary of Kinross Gold USA, Inc., 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.

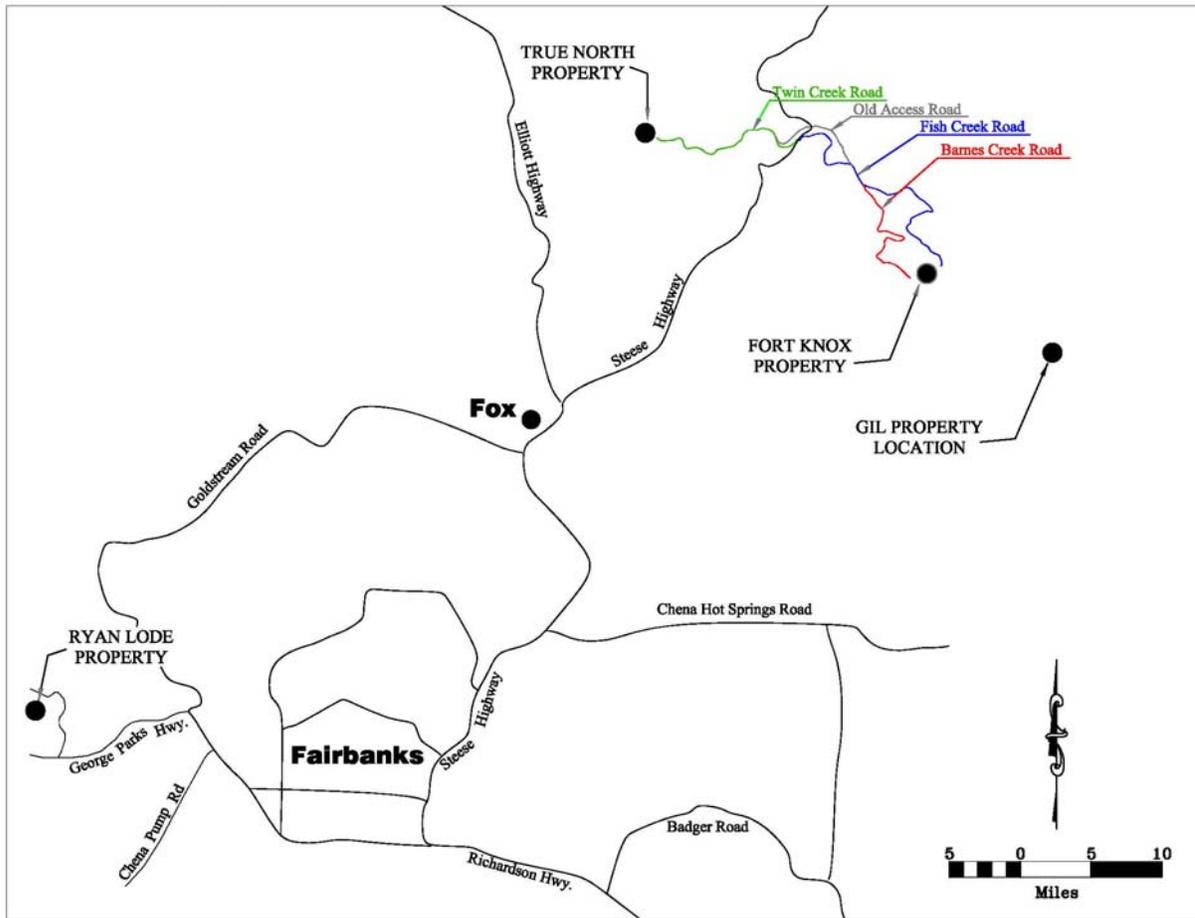
The Fort Knox mine includes the main Fort Knox open pit mine, mill and tailings storage facility, the True North open pit mine (which is currently suspended), and an 80% ownership interest in the Gil property. These facilities are located within the Fairbanks North Star Borough, approximately 25 miles 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. FGMI employs 369 personnel as of the end of 2006 with the intent of hiring approximately 30 additional people during 2007. Total gold and silver production for calendar year 2006 was 333,197 ounces and 9,712 ounces; respectively.

This report describes the mining and milling activities during calendar year 2006 and planned activities for 2007. It is divided into the following 4 sections;

- Section 1 – Introduction
- Section 2 – Description of activities conducted during 2006
- Section 3 – Description of activities planned for 2007
- Section 4 – Description of mine water usage

Figure 1 – Facility Locations



2. SUMMARY OF 2006 ACTIVITIES

2.1. Permitting Activities

FGMI has submitted plans and applications for renewal and modification of the following permits incorporating a plan to develop a heap leach facility;

- 404 Permit For Discharge of Dredge or Fill Materials into Water of the US (Fish Creek)
- Solid Waste Disposal Permit for Mine & Tailing Disposal
- Fort Knox Reclamation and Closure Plan
- Fort Knox Millsite Permit

In addition, an environmental assessment has been provided by FGMI to supply the U.S. Army Corps of Engineers with information for preparation of an Environmental Assessment in accordance with the National Environmental Policy Act (NEPA) to assess potential environmental impacts and appropriate mitigation.

Permits scheduled for renewal in 2006 include;

- the Fort Knox Reclamation Plan,
- ADEC Solid Waste Disposal Permit for Tailing Disposal (Permit # 9331-BA008),

- Solid Waste Disposal Permit for Construction and Demolition Debris Landfills (Permit # 9931-BA001),
- Fort Knox Millsite Permit (ADL 414960 & ADL 414961)
- and the Corps of Engineers 404 Permit for Fish Creek (Permit # N-920574).

Permit # 9331-BA008 and Permit # 9931-BA001 were extended one year for final review by ADEC. Permit # N-920574 was also extended for one year as this permit would be a portion of the new heap leach permit that has not yet been approved. The Fort Knox Reclamation Plan, submitted to the State in mid-2006, is pending approval.

The Fort Knox Tailings Storage Facility Dam (AK00212) and Fort Knox Water Dam (AK00211) are operated in accordance with the *Certificates of Approval to Operate a Dam (No. 2005-8-AK00212 & No. 2005-9-AK00211)* dated June 9, 2005. These certificates are scheduled for renewal in 2009 following scheduled Periodic Dam Safety Inspections for each dam. FGMI also submitted documents in support of a certificate for construction and operation of the Walter Creek Heap Leach embankment.

Fort Knox Mine has two Notice of Intent (NOI) for Stormwater Discharges Associated with Construction Activity Under a NPDES Permit which are as follows:

- General Permit AKR100000 Tracking Number AKR10BQ38 defines the area below the tailings dam encompassing the interceptor capture zone below the tailings dam.
- General Permit AKR100000 Tracking Number AKR10BV11 defines the area that was disturbed in 2006 for the barrow pit. The material removed from the pit was used as the seal material in the construction of the 2006 lift for the tailings dam.

2.2. Public Safety

Public Safety and Access

FGMI installed additional roadside delineators and permanently mounted signs along Fish Creek road to clearly identify road boundaries and driving precautions. A curved section of the road was also improved by reducing the curve radius and adjusting the road bank angle. A no passing zone for the entire length of Fish Creek Road between the Steese Highway and the mine was also instituted during 2006 (Figure 2).

The portion of Fish Creek Road that joins with the Walter Creek Road has a limited use gate for contractor and claim holder access to lower Fish Creek. Use of the old Fish Creek Road by contractors minimizes traffic on the pipeline service road reducing the opportunity for damaging the reclaim and freshwater pipelines. A security gate was installed at the entrance to the True North Mine in 2004 to prevent unauthorized access to the True North Mine area while mining is suspended.

Dust Suppression

FGMI uses the Twin Creek haul road to access the Fort Knox and True North Mines from the Steese Highway (Figure 1). FGMI developed a *Fugitive Emissions of Particulate Matter Control Plan* in June 2002 that was subsequently approved by ADEC. The plan describes the measures FGMI is to implement for the control of fugitive emissions of particulate matter. During the warmer months, calcium chloride is to be applied to the road surface as a dust suppressant on the Fish Creek, Barnes Creek, and Twin Creek roads. Additionally, water is to be applied to the roads as needed to control fugitive dust. These measures were effectively implemented in 2005.

Recreational Trails

The Gilmore and Alpha C trails remain open to recreational users. As stated in previous reports, portions of the Gilmore Trail in the vicinity of the Fort Knox west pit area may be closed for short periods of time during blasting to ensure public safety. The replacement trail at True North, historically used for winter access for snowmobile runs, has been maintained along with the associated road crossing.

Figure 2 – Local Roads and Mine Facilities



Noise Monitoring

Since the suspension of active mining at True North in 2004, ore haul trucks have not operated along the Twin Creeks Road between True North and Fort Knox. Therefore, residential noise monitoring was not performed in 2006.

2.3. Mine Operations

Pit Production

FGMI mined over 51 million tons of material from the Fort Knox pit with an average production rate of 140,000 tons per day during 2006 (Table 1). Ore production decreased by 6% to an average of 33,900 tons per day from an average of 36,200 tons per day in 2005. The decrease in

production resulted from longer and steeper haul routes due to the deepening of the Fort Knox open pit.

Table 1: Fort Knox Annual Mining Rates

Year	Ore (Million Tons)	Low Grade Ore (Million Tons)	Waste (Million Tons)	Total (Million Tons)
1996	.96	.36	15.36	16.68
1997	12.57	4.88	14.93	32.38
1998	13.83	5.27	14.19	33.29
1999	14.10	4.09	12.16	30.35
2000	15.51	2.20	17.89	35.61
2001	12.09	1.24	12.62	25.96
2002	11.73	.86	12.00	24.58
2003	11.08	2.09	17.43	30.60
2004	10.80	6.80	24.09	41.68
2005	13.23	5.86	44.16	63.25
2006	12.39	3.68	35.00	51.06
Total	128.28	37.33	219.83	385.44

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 used for material haulage. Blast holes are sampled and assayed for production grade control purposes and material is hauled to either the waste rock dumps, primary crusher, or low-grade stockpiles depending on grade.

Mining within the Fort Knox open pit occurred as planned in Phase 4, 5, and 6 (Figure 3). Phase 4 and Phase 5 have been completed leaving Phase 6 as the only active mining phase as of the end of 2006. FGMI has identified the potential to expand the existing Fort Knox pit along the South and West side (Phase 7 expansion) allowing for an additional 33.1 million tons of mining production. The Phase 7 expansion is dependent on expedient approval of permits necessary to construct the Walter Creek Heap Leach facility. Phase 7 stripping is currently planned to commence in 3rd quarter of 2008 and stripping will continue until 2011 at which point sustained ore feed for the mill is reached. If the Walter Creek Heap Leach facility permits are approved, Phase 7 will allow the Fort Knox pit production to continue until 2015. Stockpile material will continue to be mined and placed on the Walter Creek Heap Leach facility until 2017. The mill is planned to operate until 2015 when mill grade material is depleted from phase 7. If Phase 7 and the Walter Creek Heap Leach are not approved, Fort Knox mine production and mill production will end in 2010 and 2012; respectively.

Active mining at True North has been suspended since 2004 and is not currently scheduled for 2007.

Pit Dewatering

As of the end of 2006, 23 active dewatering wells with a combined pumping capacity of 1,200 gallons per minute were available for pumping groundwater. The average pumping rate during 2006 was approximately 1,100 gallons per minute. Two new dewatering wells became active in 2006 to divert groundwater from the Barnes Creek drainage from seeping into the pit. These two

wells account for the 42% increase in dewatering from 2005 to 2006. There are no significant changes planned for 2007.

Figure 3 – Fort Knox Pit Phases



True North

Active mining at True North has been suspended since 2004 (Table 2).

Table 2 – True North Annual Mining Rates

Year	Ore (Million Tons)	Low Grade Ore (Million Tons)	Waste (Million Tons)	Total (Million Tons)
2001	2.38	.81	5.26	8.45
2002	3.37	1.08	7.01	11.45
2003	2.85	0	9.86	12.71
2004	1.26	0	2.51	3.76
2005	0	0	0	0
2006	0	0	0	0
Total	9.85	1.89	24.64	36.38

2.4. Mill Operations

The Fort Knox mill has a daily capacity of between 36,000 and 50,000 tons. Mill feed is first crushed to minus 8 inches in the primary gyratory crusher located near the Fort Knox pit and conveyed 2,600 feet to a coarse-ore stockpile located near the mill. The crushed material is conveyed to a semi-autogenous (SAG) mill, which operates in closed circuit with two ball mills and a bank of cyclones to further size the ore.

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 screening and are transferred to the gold recovery circuit where the gold is stripped from the carbon by a solution, plated onto a cathode by electrowinning, and melted into doré bars for shipment to a refinery. Mill tailings are detoxified and transferred into the Tailings Storage Facility (TSF) below the mill.

Mill operations continued as described in the Plan of Operations with the exception of the planned changes noted. Table 3 includes a summary of the tonnage milled from November 1996 through December 31, 2006. Some low-grade ore from Fort Knox was processed during calendar year 2006.

As described in the True North Plan of Operations, FGMI began milling ore from the True North Mine in March 2001. Effectively processing True North ore requires the use of lead nitrate in the milling process. No lead nitrate was used in the mill in 2006 since no True North ore was processed. FGMI constructed a new thickener in 2002. The tailing thickener increases recovery by maintaining a higher temperature in the leach circuit and reduces reagent usage by allowing effective separation of the tailings and process solution so that the process solution containing reagents can be recycled. In 2006, operation of the cyanide detoxification plant was used on a minimal basis in the month of May in order to stay in compliance with the tailing discharge standards. This was a result of more intense management of the tailing thickener and recycling of process water. Since the cyanide detoxification plant was operated on a minimal basis, very little copper sulfate & ammonium bisulfate was used at the mill in 2006. With the reductions in reagent usage, FGMI anticipates lower levels of ammonia, nitrates, sulfate, copper, and TDS in the decant water and interstitial water within the tailing mass.

Table 3 - Fort Knox Annual Milling Rates

Year	Mill Production (Million Tons)
1996	.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
Total	145.29

Mill operations continued to focus on operational improvements to increase throughput and recovery. Mill availability was 95.66% for calendar year 2006.

2.5. Tailings Storage Facility (TSF)

The TSF consists of a tailings deposition area, TSF decant pond, the TSF dam, the seepage interception system, and the seepage monitoring system (Figure 4). The tailings depositional area is within the Fish Creek drainage and includes the branches along Walter Creek, Pearl Creek, and Yellow Pup drainages.

The TSF decant pond is located within the tailings deposition area upstream of the TSF dam. The TSF decant pond covers an area of approximately 130 acres and is currently estimated to contain 4,590 ac-ft of available water for dewatering storage and reuse at the mill.

The TSF dam is approximately 4,108 feet long at the crest and 324 feet tall. It impounds all tailings generated from the mill and water used by the mill. The TSF dam is designed for seepage to pass through the dam and be captured and returned to the tailings impoundment by the tailing pump-back system. In addition, the interceptor wells capture groundwater flowing downstream from beneath the tailing impoundment and return it via the pump-back system to the tailing impoundment. The pump-back system includes a pump-back sump together with a pump and pipe system to return the seepage to the TSF decant pond. The series of intercept wells developed just downstream of the dam create a hydraulic barrier that prevents any seepage from migrating further downstream. These interceptor wells collect groundwater and any seepage not captured in the drainage intercept system and return it to the TSF decant pond via the pump-back sump. This system assures TSF decant seepage is collected and returned to the TSF to maintain a zero-discharge facility.

TSF Dam Raise

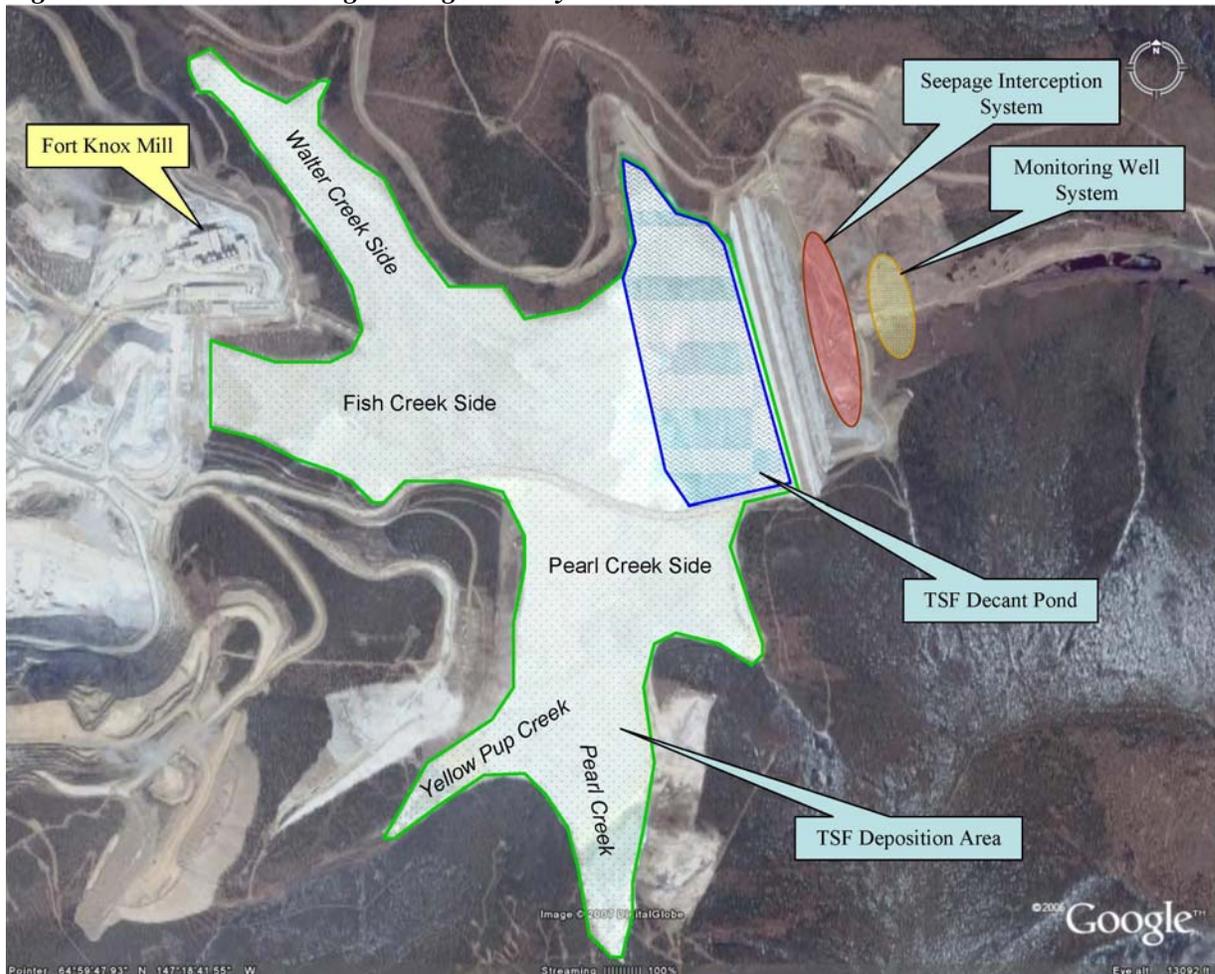
As planned, the final TSF dam raise was completed in 2006. The seal zone elevation was increased 35 ft to an elevation of 1,488 ft above mean sea level (ft-amsl). A six-foot thick frost cap was placed on the dam resulting in a final crest elevation of 1,494 ft-amsl. This final raise will allow the placement of approximately 75 million tons of material into the TSF between January 2007 and the end of mill production.

TSF Operation

The interceptor well system continued to function as designed, maintaining a continuous cone of depression across the Fish Creek valley. The interceptor well IW-2 had previously collapsed during cleaning and was re-drilled in 2006. The interceptor wells pump continuously with individual pumping rates ranging from approximately 7 gpm (MW-3) to 117 gpm (IW-5).

During the first half of 2006, tailings were deposited primarily in the Pearl Creek side of the TSF with approximately 15% deposited in the Walter Creek side. During the second half of 2006, tailings were deposited primarily in the Fish Creek side of the TSF with approximately 15% deposited in the Walter Creek side.

Figure 4 – Fort Knox Tailings Storage Facility



Tailings Storage Facility Surface Seep

In December 2006, FGMI observed a surface seep (i.e. a spring) immediately below the downstream toe of the dam on the south abutment. The initial estimate of flow from this seep was approximately 10 gallons per minute.

In response to the observed seep, FGMI notified the State agencies and immediately initiated an Action Plan. As a result of these actions, there have been no impacts detected at groundwater or surface water compliance points down-gradient of the TSF. The Action Plan included;

- capturing flow from the seep and returning the flow to the TSF,
- returning solution from existing surface water features to the TSF,
- increasing the frequency of water quality monitoring,
- conducting an additional dam inspection by the Engineer of Record (Knight-Piesold), and
- placement of additional groundwater interception wells.

Based on his site investigation, the Engineer of Record has designed a supplemental toe drain to capture seepage as part of the Action Plan. The supplemental toe drain is currently being constructed.

A field inspection by the Alaska Dam Safety Engineer with the Alaska Department of Natural Resources was conducted on December 22, 2006. The report from this visit states that the Fort Knox TSF Dam “appeared to be in good condition” and “Dam Safety does not believe that the safety of the Fort Knox TSF Dam is in peril, as long as seepage flow rates and clarity remain steady”. The seepage has since been monitored for clarity and water quality 5 days a week with no significant changes in water quality identified, as of March 8, 2007.

On January 11 and 12, 2007, Mr. Tom F. Kerr, P.E. (Alaska) of Knight Piesold, the Engineer of Record for the dam, visited the site to inspect the seepage and provide an assessment. He determined that the most likely cause for the seepage is the TSF decant pond has now reached an elevation above a zone of extensive discontinuities in the south abutment allowing a small amount of seepage to migrate under the dam, eventually reporting to the surface. In conclusion, Mr. Kerr stated the following;

“Since the dam design accounts for seepage through the foundation, the presence of a small new seep is not considered a deviation from the design. Since the seep is occurring through discrete fractures in hard rock under the dam and the water is clear, it also does not represent a dam safety issue. However, if the source of the seep is confirmed to be from the tailing facility, it then, in accordance with the design basis, should be intercepted and returned to the tailing facility”

Based on results from the ongoing monitoring of groundwater and surface water, there has been no release of process solution from the TSF facility downstream of the interception system.

TSF Decant and Seepage Metals Concentrations

Arsenic, antimony, selenium and lead concentrations were analyzed in the TSF decant pond and seepage reclaim water in 2006 (Figures 5, 6, & 7). The decant water analysis results indicate that arsenic and antimony 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 and antimony concentrations can be identified from 2005 through 2006 in Figure 6.

Analysis of TSF seepage reclaim water in 2006 did not detect arsenic or lead. Concentrations of selenium have generally shown a decreasing trend since mid-2003, possibly due to the elimination of True North ore beginning in 2004.

Figure 5 – Metals Concentration in TSF Seepage

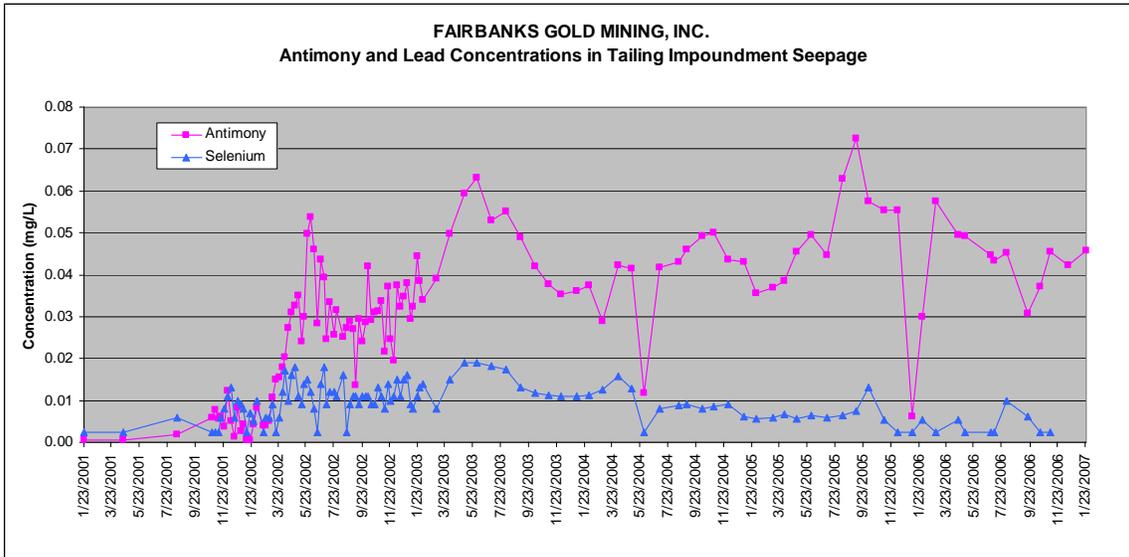


Figure 6 – Arsenic and Antimony Concentrations in TSF Decant

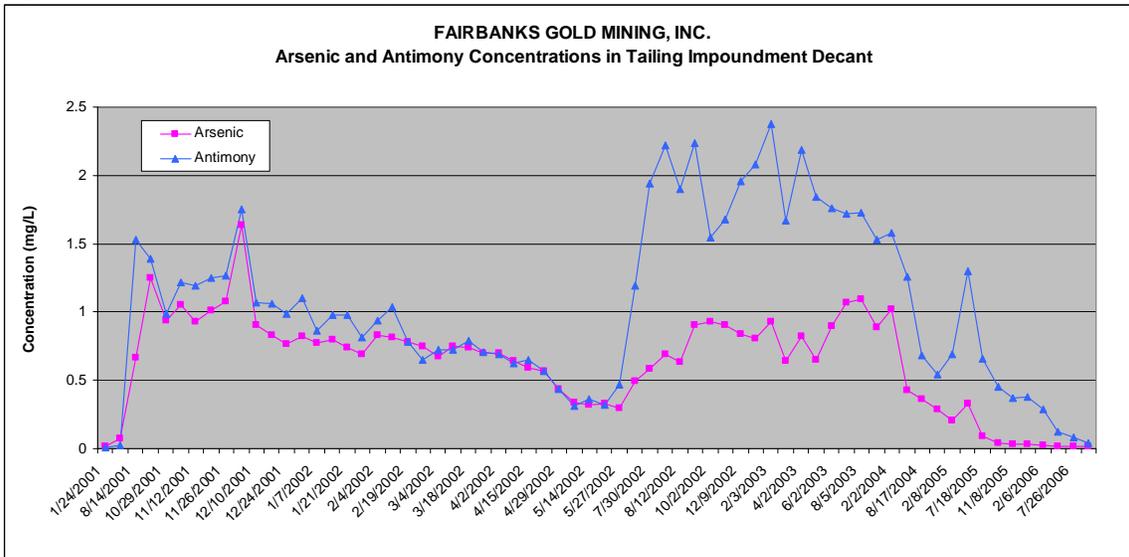
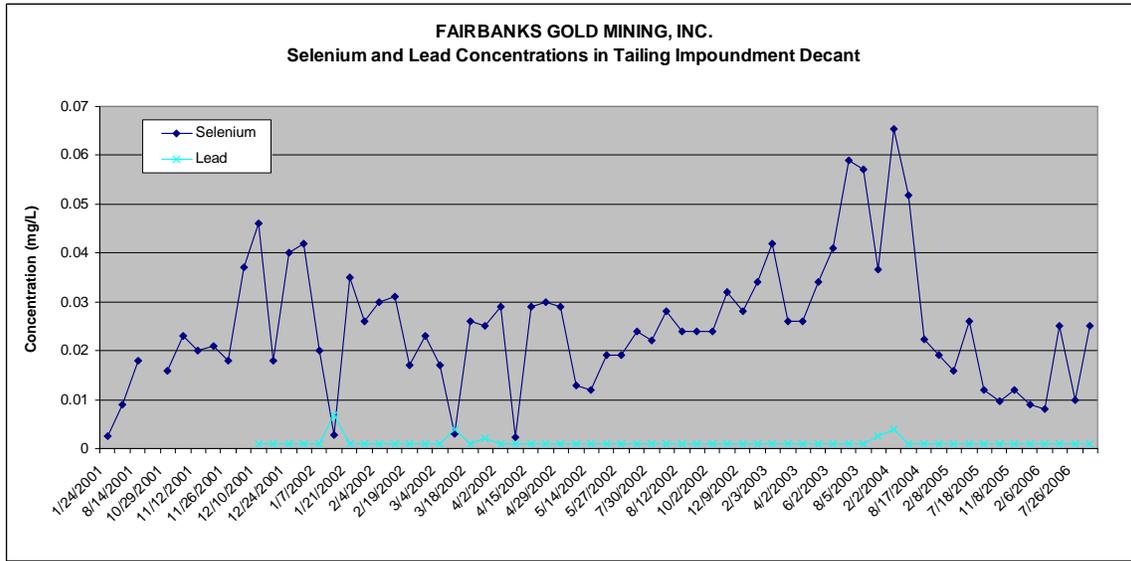


Figure 7 – Selenium and Lead Concentrations in TSF Decant



2.6. Fresh Water Supply Reservoir & Wetlands

The Fresh Water Supply Reservoir (WSR) is used to supply fresh water to the mill throughout the year and occasionally during the spring for TSF operation. Water was pumped from the WSR to the Mill at an average rate of approximately 336 gpm for a total of 542 ac-ft pumped during 2006. Total pumping from the WSR to the TSF was 424 ac-ft which occurred during March, April, and May.

Construction of the wetland complex between the Tailings Dam and the Freshwater Dam began in 1998. A significant population of Arctic grayling and Burbot use the freshwater habitat with the WSR and wetlands complex. The Alaska Department of Natural Resources recently completed a report on results from the ongoing fish population and habitat study at Fort Knox.

Successful spawning by Arctic grayling in the wetland complex has occurred every year since spring of 1999. In 2006, peak spawning activity occurred between May 24 and May 26 when water temperatures exceeded 50°F. Spawning is occasionally limited by the formation of extensive aufeis. Aufeis is an accumulation of ice formed when water from a spring or stream freezes on top of previously formed ice.

Fish surveys and habitat studies began in 1992, prior to the development of the Fort Knox mine. At that time, arctic grayling were characterized as stunted, fish larger than 9 inches were rare, and mature fish were typically less than 6.5 inches. A goal was set to develop habitat to support an Arctic grayling population of 800 to 1,600 fish of an average size greater than 8 inches. The estimated population for Arctic grayling in 2006 was over 7,900 fish larger than 8 inches.

The estimated burbot population for fish larger than 8 inches in spring 2005 was 944, and burbot larger than 16 inches, 143. The burbot population increased greatly in the first 4 years but then declined and has now settled into a smaller population of large burbot.

2.7. Reclamation

Fort Knox

Reclamation opportunities were limited at Fort Knox due to the potential for further disturbance during planned mining activities in the following years. However, reclamation of the borrow areas used to construct the final TSF dam raise began in late summer 2006 (Figure 8). The South Filter Pit has been completely regraded and drainage channels constructed. Regrading of the North Filter Pit began but was not completed during 2006 due to freezing ground conditions. Seal Pit 2 was regraded with extensive drainage structures installed and reseeded during 2006. Seal Pit 1 and the remainder of reclamation work in the other borrow areas is scheduled for 2007.

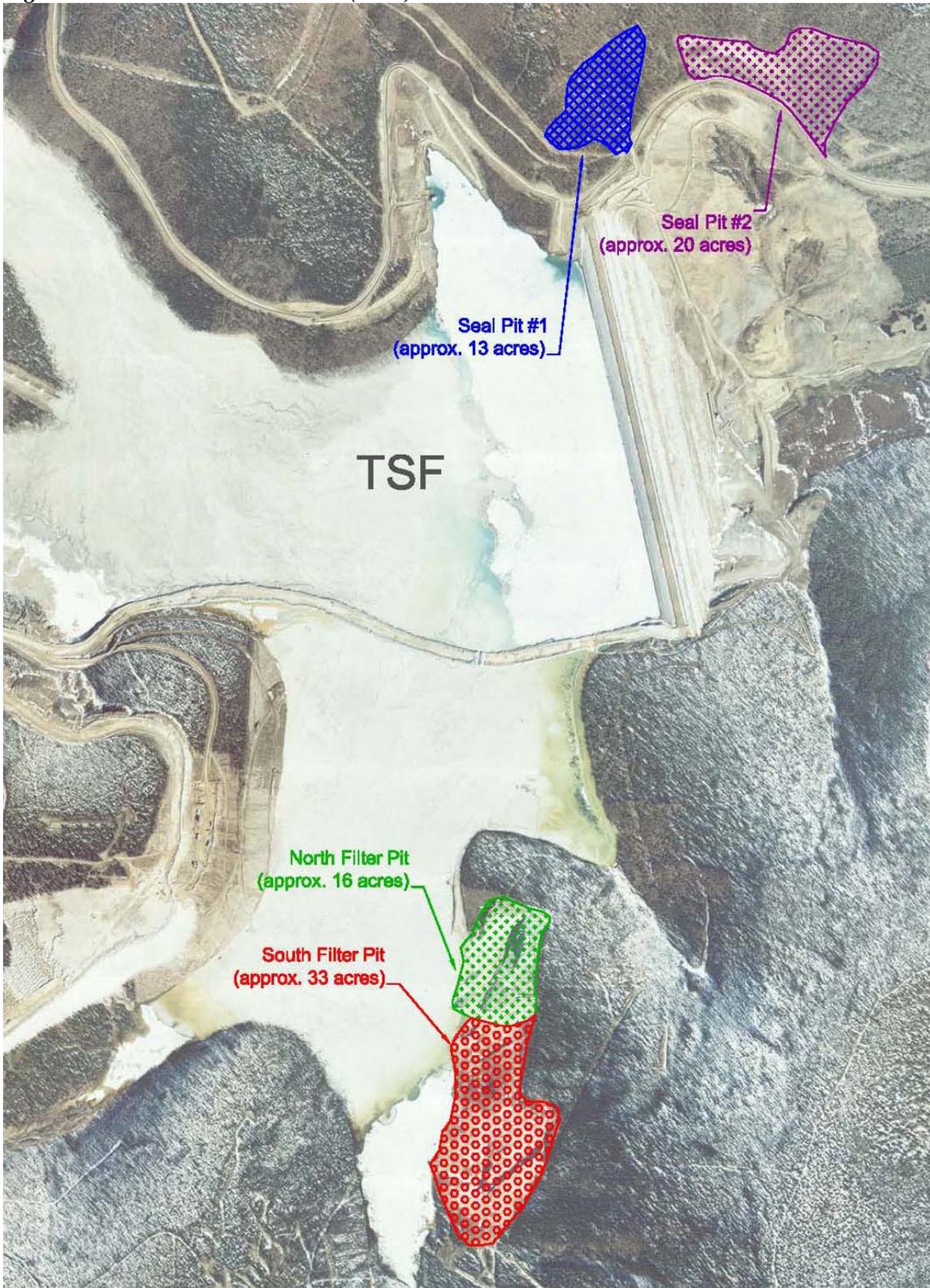
The current reclamation plan for the Fort Knox Mine has been revised to reflect the life of mine plan of operations including a proposed heap leach facility located in Walter Creek Valley and has been submitted to the DNR Large Mine Permitting team. The plan includes a detailed closure plan for the Tailing Storage Facility, a revised life of mine reclamation plan for Fort Knox and a design, construction and closure plan for the Walter Creek Heap Leach facility. Financial assurance will be adjusted to reflect the proposed changes in future operations at Fort Knox pending approval of the reclamation plan currently being reviewed by the DNR Large Mine Permitting team.

At Fort Knox, growth media continues to be stockpiled for use as necessary in final reclamation and closure. Table 4 summarizes the volumes of topsoil stockpiled at Fort Knox for future use as growth media.

Table 4 - Fort Knox Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yards x 1,000)
Yellow Pup Stockpile	380
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
Total	6,189

Figure 8 – Fort Knox Reclamation (2006)



True North Mine

During the summer of 2005 approximately 124 acres of disturbance was regraded, ripped, seeded and fertilized at True North. Areas regraded included the North Dump, Hindenburg Dump, Zeppelin Dump, and North Shepard Dump. The area was regraded with D10 dozers and ripped with a D8 dozer.

Seed and fertilizer were applied on all reclaimed disturbance using either a broadcaster mounted on a D4 dozer or by aerial application using a fixed wing aircraft. 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.

No additional growth media was stockpiled at True North during 2005. Table 7 summarizes the volumes of growth media stockpiled at True North for future use. The current stockpiled material is adequate to cover all existing disturbance to be reclaimed with one-foot of growth media.

During 2006, these 124 acres were visually monitored to evaluate revegetation progress and ground stability. Approximately 109 acres are estimated to have greater than 70% vegetative cover. A small portion of the reclaimed area may require addition seed and fertilizer to be applied during 2007. In addition, a hillside slump developed that will be monitored during 2007 to identify slope stability conditions and develop mitigation as needed.

Table 5 – True North Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yds. x 1,000)
Shop Growth Media Stockpile	720
Louis Creek Growth Media Stockpile	25
East Pit Growth Media Stockpile	53
North Dump Growth Media Stockpile	145
Shop Assorted Road Berms	51
Shop Dump Berms	163
Zeppelin Dump Berms	122
Total	1,279

2.8. Walter Creek Heap Leach Facility

Fairbanks Gold Mining, Inc. is in the process of permitting a 161 million-ton capacity heap leach pad within the Walter Creek drainage above the existing tailing storage facility. The valley fill heap leach facility will have a footprint area of approximately 310 acres not including access roads or haul roads. Knight Piesold and Co. has prepared a design report as part of the State of Alaska Dam Safety program requirements. A Final Construction Package will follow with initial construction planned to begin in the spring 2007 and be completed in 2008.

Ore for the heap leach will consist of run-of-mine rock from the Fort Knox Pit and various stockpiles. Currently, 29 million tons of lower grade ore are located in the Barnes Creek and Fish Creek stockpiles which will be heap leached. The ore is characterized by relatively high permeability that will promote solution flow and drainage for rapid rinsing at closure.

In-heap storage of process solution and storm water will be accomplished by constructing an embankment in the downstream toe of the heap. The mechanical quality of the rock planned for construction of the in-heap storage embankment is expected to be similar to the mechanical quality of the rock that has been used to construct the downstream random fill for the Fort Knox TSF. The liner system for the pad will consist of 12 inches of sub-base over the entire basin. In the area of the in-heap storage reservoir, there will be a double high-density-polyethylene (HDPE) liner over the sub-base. Beyond the limits of the in-heap storage reservoir, there will be a single HDPE liner overlaying the sub-base. Overlaying the HDPE liner, 36 inches of cover material consisting of crushed rock will be placed with a network of drainpipe to maintain low head pressures on the liner and promote a rapid flow of solution to the in-heap storage reservoir.

A Leachate Collection and Recovery System (LCRS) consisting of a double liner in the area of the in-heap storage reservoir will maintain low head pressure on the secondary liner to minimize leakage potential in the area of high hydraulic head. A Process Component Monitoring System (PCMS) will be constructed under the main header lines for the solution collection system providing leak detection in those areas of high flow where leaks are most probable. An underdrain system consisting of a network of drainage channels containing slotted pipe in drain rock will route water from seeps and springs under the sub-liner to the tailing impoundment.

Barren solution will be applied on the heap leach using drip emitters or sprinklers may be used in the summer months. The solution will flow through the run-of-mine ore. Pregnant solution will flow to the in-heap storage reservoir, which will have a total operating capacity of 70 million gallons. The pregnant solution that collects in the in-heap storage reservoir will be pumped to the Carbon-In-Columns (CIC) plant using vertical pumps located in the in-heap storage reservoir. Barren solution and pregnant solution will be pumped in pipes between the pad and the CIC plant. Loaded carbon will be processed in the Fort Knox mill facilities. With all solution moved in pipes and the pregnant solution reporting to the in-heap storage reservoir, no process solution will be exposed.

The heap leach pad will be located immediately upstream of the tailing impoundment. The tailing dam is an earth-filled structure designed to hold all tailing and process water from the mill, as well as surface runoff water. The dam is designed and maintained to contain the 100-year, 24-hour storm event, the average 30-day spring breakup plus and provide three feet of freeboard. In the event of a catastrophic failure of the heap leach embankment, all water released would be contained within the existing freeboard of the TSF impoundment. Since the water in the tailing impoundment currently contains elevated levels of certain analytes, no tailing impoundment water is discharged. The mill recycles water from the tailing impoundment for reuse in the beneficiation process, and water in the tailing impoundment will also be utilized for the heap leach process.

3. PROJECTED ACTIVITIES FOR FISCAL YEAR 2007

3.1. *Permitting Activities*

Permits currently in process for 2007 include the ADEC Solid Waste Disposal Permit for Tailing Disposal (Permit # 9331-BA008), the Solid Waste Disposal Permit for Construction and Demolition Debris Landfills (Permit # 9931-BA001), Millsite Lease, Reclamation Plan and the Corps of Engineers 404 Permit for Fish Creek (Permit # N-920574). Permit # 9931-BA001 will be combined with Permit # 9931-BA008 and is currently under review by ADEC. Permit # N-920574 has been extended for one year. The Operating and Maintenance (O&M) Manuals for the

Fresh Water Supply Reservoir Dam and TSF Dam will be updated in 2007. In addition, an O&M Manual for the Walter Creek Heap Leach facility will be developed and submitted during 2007. An underwater inspection at the Fresh Water Supply Reservoir of the structure and manual gate valve is planned for 2007.

In June 2006, FGMI submitted to the Alaska DNR an updated Fort Knox Reclamation and Closure Plan. This plan incorporates closure of the Walter Creek Heap Leach facility and additional proposed operational changes. An Environmental Assessment (EA) of the Walter Creek Heap Leach facility to evaluate potential environmental impacts and appropriate mitigation measures has been submitted to the U.S. Army Corps of Engineers to assist with their development of an EA in accordance with the requirements of NEPA.

3.2. Public Safety

FGMI will continue to control dust and maintain signs and safety berms on all roads accessible by the public. FGMI will also continue to manage and operate the road and overpass in a manner that is safe for all users.

3.3. Mine Operations

Table 10 contains the planned mining for calendar year 2007 at both the Fort Knox and True North Mines. Mining operations at True North were suspended pending economic evaluation of reserves.

Table 6 - Planned Mining Tons for Calendar Year 2007

	Mill Grade (Tons x 1,000)	Low Grade	Leach Stockpile	Waste	Total
Fort Knox	7,911	5,955	7,385	26,112	47,352
True North	0	0	0	0	0

3.4. Mill Operations

No significant operational changes are expected for the Fort Knox Mill during 2007. Projected mill throughput for 2007 is approximately 14.61 million tons.

3.5. Tailings Storage Facility (TSF)

The TSF interceptor system and monitoring system will be expanded during 2007 to further reduce the potential for any seepage to flow down-gradient of the TSF. Four new interceptor wells will be installed to expand the existing seepage capture area (i.e. cone-of-depression). An additional monitoring well (MW-8) is planned for installation south of MW-7 to enhance groundwater monitoring down-gradient of the TSF (Figure 9).

Tailings deposition will continue to be in the main pond and Yellow Pup/Pearl Creek drainage during 2007. Tailing deposition will focus on maximizing water recovery along with managing the operating pool within the impoundment to accommodate re-circulation of process water. The current projected fill date for the TSF is 2015.

Figure 9 – Proposed Interceptor and Monitoring Wells for 2007



3.6. Fresh Water Supply Reservoir & Constructed Wetlands

Operation of the water supply reservoir will continue as described in the Plan of Operations. A visual inspection of the low-level outlet will be conducted this summer as recommended in the Periodic Dam Safety Inspection Report by Knight Piesold in 2004. The Fish study being conducted by the Alaska Department of Natural Resources Division of Habitat Management & Permitting will continue with spring monitoring of population and growth rates along with water quality monitoring. Additional modifications to the reservoir and wetlands may be proposed if study results suggest that improved habitat or spawning areas can be developed.

3.7. Reclamation

Reclamation of the borrow areas at Fort Knox as described in Section 2.7 will continue in 2007. A native seed mix, approved by the DNR, and fertilizer mix will be applied to approximately 60 acres at Fort Knox to establish vegetative cover at the borrow areas. At the True North Mine, approximately 25 acres within the 124 acres reclaimed in 2004 will receive additional seed and fertilizer to enhance revegetation.

3.8. Walter Creek Heap Leach Facility

Construction of the Walter Creek Heap Leach facility is scheduled to begin in 2007 pending permit approvals and weather conditions. Construction activities during 2007 will consist of

clearing the pad area, constructing access roads, and constructing the base platform and embankment. Ore placement and active leaching is not planned for 2007.

4. MINE WATER USAGE (WATER BALANCE)

The water balance accounts for natural water inflows/outflows and water use throughout the mine-site. Inflows into the mine site include precipitation (i.e. rain and snow) and groundwater. Average precipitation at the mine is approximately 16.7 inches per year of rain and snow. Outflows include natural surface run-off and percolation of surface waters into groundwater systems.

The primary water use processes at Fort Knox are (Figure 10);

- Pumping from the WSR to the Mill
- Pit dewatering to the TSF
- Pumping TSF decant water to the Mill
- Pumping from the WSR to the TSF
- TSF interceptor system recirculatory pumping
- Mill process water discharge to the TSF

Figure 10 – Mine Water Use Diagram

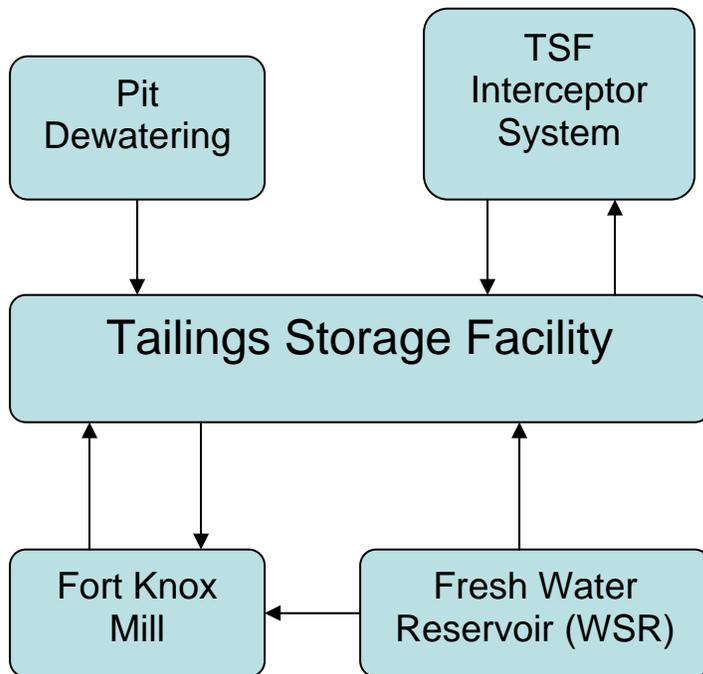


Table 7 – Fort Knox Water Balance Summary for 2006

Water Balance Process	Volume (ac-ft)
Fresh Water Reservoir (WSR) to Mill	542
Fresh Water Reservoir (WSR) to TSF	424
TSF to Mill	13,868
Mill to TSF (Estimated Water in Tailings Slurry)	6,377
Pit Dewater to TSF	1,774
Seepage Reclaim (Interceptor System)	3,176

No water was pumped from the well at True North. Temporary Water Use Authorization TWUP A2001-96 authorizes pumping of the water from the True North well. No pumping from Little Eldorado Creek occurred in 2005. Temporary water use permit TWUP F2002-14 authorizes taking water from the surface water source.