

Fort Knox Mine

Plan of Operations Amendment Approval

No. F20149852POO



DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

March 28, 2014

The Alaska Department of Natural Resources, Division of Mining, Land and Water (ADNR), in accordance with and subject to Alaska Statutes 38.05 (Alaska Land Act) and the 11 AAC 86.800 (Plan of Operations), approves the Fort Knox Mine Plan of Operations Modification Request (Walter Creek Valley Heap Leach Facility Expansion, Barnes Creek Waste Rock Dump Expansion) dated February 4, 2014 for the Fort Knox Gold Mine submitted by:

Fairbanks Gold Mining, Inc.
P.O. Box 73726
Fairbanks, Alaska 99707-3726

Throughout this document, unless otherwise specifically indicated, reference to Fairbanks Gold Mining, Inc., FGMI, and “the Permittee” are considered a reference to Fairbanks Gold Mining, Inc a wholly owned subsidiary of Kinam Gold Inc. (formally known as Amax Gold Inc.) (“AGI”), a Delaware corporation of which all outstanding common shares are owned by Kinross Gold Corporation (“Kinross”), an Ontario corporation and the parent companies.

Throughout this document, unless otherwise specifically indicated, reference to the State, Department, ADNR, DNR or Division are considered a reference to the State of Alaska – Department of Natural Resources – Division of Mining, Land & Water.

Throughout this document, the Plan of Operations is considered to consist of the plan approvals and amendments listed in Appendix A. Reference to any of these plans throughout this document is considered to be a reference to the Plan of Operations. Likewise any and all stipulations associated with the approval of any of these individual plans are considered to be a requirement of the Plan of Operations Approval.

Effective dates of this plan approval are March 28, 2014 through March 27, 2019, unless sooner revoked; however, FGMI’s obligations under the terms and conditions of this plan approval shall continue, unless sooner terminated in accordance with the provisions of this plan approval, until completion of all requirements under and pursuant to the Plan of Operations.

This plan approval is for activities upon DNR managed lands encompassed by the Fairbanks Gold Mining, Inc. Amended and Restated Millsite Lease – Fort Knox Mine Project (ADL 414960). The Department acknowledges that FGMI is authorized under the Millsite Lease to move materials, such as ore, waste rock, and over-burden, from its own property across the state lands subject to the Millsite Lease and deposit those materials on other FGMI property. Such activities require no further authorization from the department.

This plan approval does not constitute certification of any property right or land status claimed by the applicant.

The Plan of Operations was found to be complete and is approved with the following conditions:

General Stipulations

Financial Assurance. This Plan of Operations Approval requires the Permittee to submit a bond in a form and substance approved by ADNR. Modifications to this Plan of Operations Approval may, at ADNR's discretion, require bond review and update. The total amount of \$96,164,867 for financial assurance has been accepted for the Fort Knox Mine per the Reclamation Plan Approval F20149852RCP.

Terms of this Plan Approval. The Terms and Conditions contained within the plan of operations amendments and approvals listed in Appendix A are hereby included as stipulations of this Plan Approval. If there is a difference between the Plan of Operations as submitted and the terms contained within this Plan Approval, the terms contained within this Plan Approval take precedence. Changes to the documents incorporated herein must be approved by ADNR if they affect this plan approval. If ADNR approves the changes, they become terms of this Plan of Operations Approval.

Authorized Officer. The Authorized Officer for ADNR is the Director of the Division of Mining, Land and Water or his designee. The designated Authorized Officer is the Mining Section Chief within the Division of Mining, Land and Water, currently Scott Pexton. The Authorized Officer may be contacted at 550 West 7th Avenue, Suite 900D, Anchorage, Alaska 99501-2577, Attention: Scott Pexton, telephone (907) 269-8621, and fax (907) 269-8930 or at scott.pexton@alaska.gov. The Permittee will be notified of changes to the authorized officer as needed.

Alaska Historic Preservation Act. The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any State-owned historic, prehistoric (paleontological) or archeological site without a permit from the Commissioner of ADNR. Activities described in the Plan of Operations Amendment as subject to the following stipulations:

- a. If cultural or paleontological resources are inadvertently discovered as a result of or during the activities authorized by this Plan of Operations Approval, all activities which would disturb such resources shall be stopped and measures taken to protect the site. The U.S. Army Corps of Engineers archeologist (907-753-2716) and the State Historic Preservation Officer (907-269-8715) shall be contacted immediately so that compliance with state and federal laws may begin.
- b. If burials or human remains are discovered as a result of or during the activities authorized by this Plan of Operations Approval, all activities which would

disturb such remains shall be stopped and measures taken to protect the site. In addition to the U.S. Corps of Engineers Archeologist and the State Historic Preservation Officer, the State Troopers shall be contacted immediately so that compliance with state and federal laws may begin.

Forestry Resources. All timber on state land within the Millsite Area that will be disturbed due to Millsite Operations shall be:

1. used for Millsite Operations in or on the Millsite Area; or
2. shall be chipped and mulched for use as a soil amendment for enhancing interim reclamation, or increasing the resources to reclaim the mined area at closure; or
3. after consultation with the ADNR Division of Forestry and where determined by the Permittee to be of suitable size and located in affected areas that are easily accessible, felled, limbed, bucked into log lengths, and decked in areas easily accessible to the public for collection of firewood free of charge; or
4. the Division of Mining, Land & Water, in consultation with ADNR Division of Forestry, may approve alternate methods of vegetation clearing.

Reporting. The results of monitoring, required by all State and federal authorizations (unless otherwise indicated by the Authorized Officer), obtained during a reporting period shall be summarized and submitted to the Authorized Officer or designee quarterly, no later than 60 days after the last day of the quarter, in hard copy and electronic format acceptable to ADNR. An annual report will be due by March 1st and shall summarize activities (surface disturbance, reclamation, mining, leaching and milling) conducted during the previous calendar year and include fourth quarter monitoring data. The annual report shall also address the adequacy of the financial responsibility, including, but not limited to, inflation, significant changes in reclamation activity costs, concurrent reclamation, expansion or other changes to the operation of the facility. Electronic copies should also be sent to ADNR (Jim Vohden at jim.vohden@alaska.gov and dnr.water.reports@alaska.gov), and (Brent Martellaro at brent.martellaro@alaska.gov), Alaska Department of Fish and Game (ADFG) (Bill Morris at william.morris@alaska.gov), and Alaska Department of Environmental Conservation (ADEC) (Tim Pilon at tim.pilon@alaska.gov). Amendments to this distribution list will be provided to the Permittee as needed.

Maps. The Permittee shall submit to ADNR an annual set of maps illustrating the current development of all facilities within the millsite lease boundary. The plan maps shall show cleared and grubbed areas; growth medium stockpiles; roads; waste rock dump development; material site development; and facility construction. Maps shall be 1"-500' or other appropriate scale necessary to review the development of individual facilities.

Environmental Audit. Periodic third-party environmental audits shall be conducted for the purpose of evaluating the Permittee's performance under its permits and plan approvals, to determine compliance with applicable environmental laws and regulations, and to assist in

updating, renewing or issuing permits and plan approvals. The environmental audit shall include an evaluation of the adequacy of the reclamation financial sureties, including the Permittee's bonding obligations under the terms of the Agreement for Funding Post-Reclamation Obligations. The environmental audit shall also evaluate the adequacy of agency oversight to protect environmental resources.

An environmental audit shall occur during the snow-free season in 2018; or prior to final closure if this occurs prior to 2018. Subsequent audits shall occur every five years and prior to final closure, unless otherwise approved by ADNR and ADEC. This audit will include all aspects of the project, including, but not limited to, the access roads, material sites, development rock dumps, mine, heap leach facility, tailings facility, and any constructed wetlands used as a treatment works. The third-party contractor and the scope of the environmental audit should be mutually agreed on by ADNR, ADEC, Alaska Mental Health Trust Land Office (TLO) and the Permittee, but in the event that agreement cannot be reached, after parties have made a good faith effort to agree, ADNR, ADEC and TLO retain the final decision authority regarding the selection of the contractor and the scope of the audit. TLO concurrence on the third-party contractor and scope of the audit is required only if the TLO continues to own land within the Upland Mining Lease or Millsite Area. Costs for the third-party environmental audit shall be borne by the Permittee.

Project Specific Stipulations

RST 644 Trail Re-route

FGMI shall not disturb RST 644 until an agreement has been reached with the ADNR Northern Region Land Section, regarding the administrative reroute (PRJ 3) currently under review.

Standard Stipulations

Fuel and Hazardous Substances. Secondary containment shall be provided for fuel or hazardous substances.

- a. **Container marking.** All independent fuel and hazardous substance containers shall be marked with the contents and the Permittee's name using paint or a permanent label.
- b. **Fuel or hazardous substance transfers.** Except for hand operated equipment, secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers, where feasible and prudent. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times.

Vehicle refueling shall not occur below the ordinary high waterline of any waterbody. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.

- c. **Storing containers within 100 feet of waterbodies.** Containers with a total capacity larger than 55 gallons which contain fuel or hazardous substances shall not be stored within 100 feet of a waterbody. (Note – This stipulation [Subsection “c” of Fuel and Hazardous Substances] does not apply to the tailings storage facility during mine operations.)
- d. **Exceptions.** The Authorized Officer may under unique or special circumstances grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the Authorized Officer.
- e. **Definitions.**
 - 1) **"Containers"** means any item which is used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment such as light plants and generators, flow test holding tanks, slop oil tanks, bladders, and bags. Manifolded tanks or any tanks in a series must be considered as a single container. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.
 - 2) **"Hazardous substance"** is defined under AS 46.03.826(5) as (A) an element or compound which, when it enters into the atmosphere, or in or upon the water, or surface or subsurface land of the state, presents and imminent and substantial danger to the public health or welfare, including but not limited to fish, animals, vegetation, or any part of the natural habitat in which they are found; (B) oil; or (C) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).
 - 3) **"Secondary containment"** means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest container. Double-walled tanks do not qualify as secondary containment unless valves and piping are contained within the outer double wall.
 - 4) **"Surface liner"** means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.
 - 5) **Notification.** The Permittee shall immediately notify ADNR and ADEC by phone of any unauthorized discharge of oil to water, any discharge of hazardous substances (other than oil), and any discharge of oil greater than 55 gallons on land. All fires and explosions must also be reported to ADNR. The ADNR 24 hour incident notification number is (907) 451-2678; the Fax number is (907)

451-2751. The ADEC spill report number is (800) 478-9300. ADNR and ADEC shall be supplied with all follow-up incident reports.

- 6) **Remediation.** Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to the Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, the Permittee, at its expense, shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

Inspection and Entry. The Permittee shall allow authorized representatives of ADNR to enter into and upon the area and facilities covered under this plan approval at all reasonable times without notice for the purpose of inspecting the area and activities covered under this plan approval. Said inspections shall be subject to the safety and security procedures adopted by the Permittee.

At any time upon ADNR's written request, the Permittee shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, ordinance or this Plan of Operations Approval available to ADNR for inspection and copying, as reasonably required by ADNR, to determine the Permittee's compliance with local, state and federal laws applicable to the operations authorized under this plan approval.

Violations. This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and State).

Assignment. This plan approval may be transferred or assigned with prior written approval from ADNR. ADNR will only disapprove a transfer with good cause and will evaluate whether the proposed assignee (1) is qualified to hold interests in state mining rights under AS 38.05.190 and to acquire all other permits and authorizations necessary to conduct operations under the plan; (2) is on notice of default or subject to an enforcement action by any state agency on any lease, reclamation bond, or other permit within the state. Any assignee must commit in writing to be bound by this plan approval to the same extent as the Permittee, and must provide to ADNR all proofs of insurance, bonds, or undertakings required by this plan approval. Transfer of this plan approval may, at ADNR's discretion, require bond review and update.

Other Authorizations. The issuance of this authorization does not alleviate the necessity of the Permittee to obtain authorizations required by other agencies for this activity.

Valid Existing Rights. This authorization is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

Reservation of Rights. ADNR reserves the right to grant additional authorizations to third parties for compatible uses on the land under this authorization per terms of the Amended and Restated Millsite Lease (ADL 414960).

Change of Address. Any change of address must be submitted in writing to the Authorized Officer.

Modifications. Any request for modification of the plan of operations and any other affected permits or authorizations must be made by written application to ADNR. Amendments to the Plan of Operations may, at the discretion of ADNR, require bond review and update.

Statutes and Regulations. This plan approval is subject to all applicable state and federal statutes, including state, federal, and any local statutes and ordinances in effect on the effective date of this plan approval, new statutes, regulations, and ordinances enacted or promulgated after said effective date, and changes to existing statutes and regulations made after the effective date, to the extent constitutionally permissible.

Severability. If any clause or provision herein contained shall be adjudicated to be invalid, it shall not affect the validity or effect of any other clause or provision of this plan approval, nor constitute any cause of action in favor of either the Permittee or ADNR as against the other.

Commencement of permitted activities will be considered an acceptance by FGMI of these stipulations.

Approved: Scott Pexton
Scott Pexton
Chief, Mining Section
Division of Mining, Land & Water
Alaska Department of Natural Resources

March 28, 2014
Date

Appeal Right and Procedure

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of “issuance” of this decision, as defined in 11 AAC 02.040(c) and (d) and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska, 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st calendar day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Plan of Operations F20149852POO Amendment Approval

APPENDIX A

Fort Knox Plan of Operations Amendments and Approvals	
November 2013	Fort Knox Mine Reclamation and Closure Plan R2
April 29, 2013	2013 Heap Leach Clearing (7.81 acres) and Parking Lot Install
April 18, 2013	2013 Heap Leach Clearing (6.22 acres)
September 10, 2012	Proposed Growth Media Stockpile (South of Phase 7 Pit) (8.61 acres)
July 3, 2012	Construction CIC #2 Plant and Heap Leach Solution Lines
June 25, 2012	New Fuel Island Installation
June 8, 2012	Topsoil Stockpile (Phase 4 and 5 WCHL Expansion) (5.5 acres)
May 7, 2012	CIC Plant #2 Construction
February 3, 2012	Heap Leach Clearing 2012 Construction Season (58.6 acres)
September 13, 2011	Victoria Creek Monitoring Wells (0.715 acres)
August 31, 2011	Dispatch Tower Relocation (0.42 acres)
August 12, 2011	Sub-base Test Pit Exploration Program
July 15, 2011	TSF Waterline Relocation and Relocation of Barge Pump Station
June 28, 2011	Expansion of Disturbance Boundary for Placement of Waste Rock in Upper Barnes Creek Valley (NOAA Parcel)
May 13, 2011	Topsoil Storage in Borrow Pit Borth of Walter Creek Heap Leach
April 26, 2011	Expansion of Disturbance Boundary for Placement of Waste Rock in Upper Barnes Creek Valley
April 14, 2011	TSF Jetty Pipeline Road and Re-Alignment of Portion of Fish Creek Road
April 7, 2011	Fish Creek Road Powerline Re-Alignment and Clearing for Sub Base Material
October 14, 2010	Realign Powerline (New Haul Road)
March 18, 2010	Expand Existing Borrow Sources
October 8, 2009	Establish Sub-grade Borrow Source
June 23, 2009	Construct the "C-Ore Fish Creek Causeway"
August 18, 2008	Expand the Walter Creek Growth Media Stockpile from 25 Acres to 45 Acres
April 25, 2008	Relocation of the On-Site Explosives Magazine
July 17, 2007	New Road Construction near the South Abutment of the Tails Dam
January 10, 2007	Revised Fort Knox Pit Lake Evaluation
June 23, 2006	Walter Creek Valley Fill Heap Leach Project Description
June 2006	Fort Knox Mine Monitoring Plan
June 2006	Fort Konox Mine Tailing Facility Closure Management Plan
June 2006	Fort Knox Mine Closure Management Plan for the Proposed Heap Leach Facility
April 20, 2006	Fort Knox Mine Plan of Operations Amendment for realignment of tailings deposition line within the Tailings Storage Facility
January 25, 2006	Fort Knox Mine Plan of Operations Amendment to construct power line within Millsite Lease Area
October 26, 2000	Fort Knox Mine Plan of Operations Amendment for placement of a waste rock dump in the Upper Fish Creek portion of the Tailings Storage Facility
June 18, 1998	Fort Knox Mine Plan of Operations Amendment for placement of waste rock and low-grade stockpile in Barnes Creek
October 1995	Project Description for the Fort Knox Mine
March 1994	Fort Knox Project Water Resources Management Plan