



Alaska Gold Company
ROCK CREEK PROJECT

ANNUAL REPORT

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ACRONYMS AND ABBREVIATIONS

ADEC Alaska Department of Environmental Conservation
ADNR Alaska Department of Natural Resources
PAG Potentially Acid Generating

1.0 INTRODUCTION

The Annual Report is a requirement of Alaska Department of Natural Resources (ADNR) and Alaska Department of Environmental Conservation (ADEC). ADNR report requirements are specified in the Rock Creek and Big Hurrah Mine Project Draft Reclamation Plan Approval (ADNR Document # F20069578) and in the ADEC Rock Creek Project Monitoring Plan Section 1.9. The Monitoring Plan covers operations and closure, but does not include requirements for the construction phase of the project. Therefore, the 2007 report will not include an annual monitoring results summary.

Electronic and hard copies will be sent to:

- ADNR: Steve McGroarty at stevem@dnr.state.ak.us,
- ADNR: Jim Vohden at jimv@dnr.state.ak.us,
- ADNR Office of Habitat Management Preservation: Mac McLean at mac_mclean@dnr.state.ak.us, and
- ADEC: David Johnson at david_johnson@dec.state.ak.us.

2.0 REPORT REQUIREMENTS

2.1 ADNR ANNUAL REPORT REQUIREMENTS:

- Surface Acreage Disturbed,
- Quantities of Topsoil Salvaged and Stockpiled,
- Tons and Cubic Yards of Potentially Acid Generating (PAG) mined the past calendar year,
- Tons and Cubic Yards of Potentially Acid Generating (PAG) planned to be mined in the upcoming calendar year,
- Tons and Cubic Yards of Non-potentially Acid Generating (NON-PAG) mined the past calendar year,
- Tons and Cubic Yards of Non-potentially Acid Generating (NON-PAG) planned to be mined in the upcoming calendar year,
- Available Pit Volume below the anticipated pit lake elevation at the end of the past calendar year,
- Available Pit Volume below the anticipated pit lake elevation anticipated for the end of the upcoming calendar year, and
- Adequacy of Financial Responsibility
 - Inflation
 - Significant changes in reclamation activity costs
 - Concurrent reclamation
 - Expansion or other changes to the operation of the facility.

2.2 ADEC REPORT REQUIREMENTS

A summary report of all four quarterly monitoring reports for the previous calendar year.

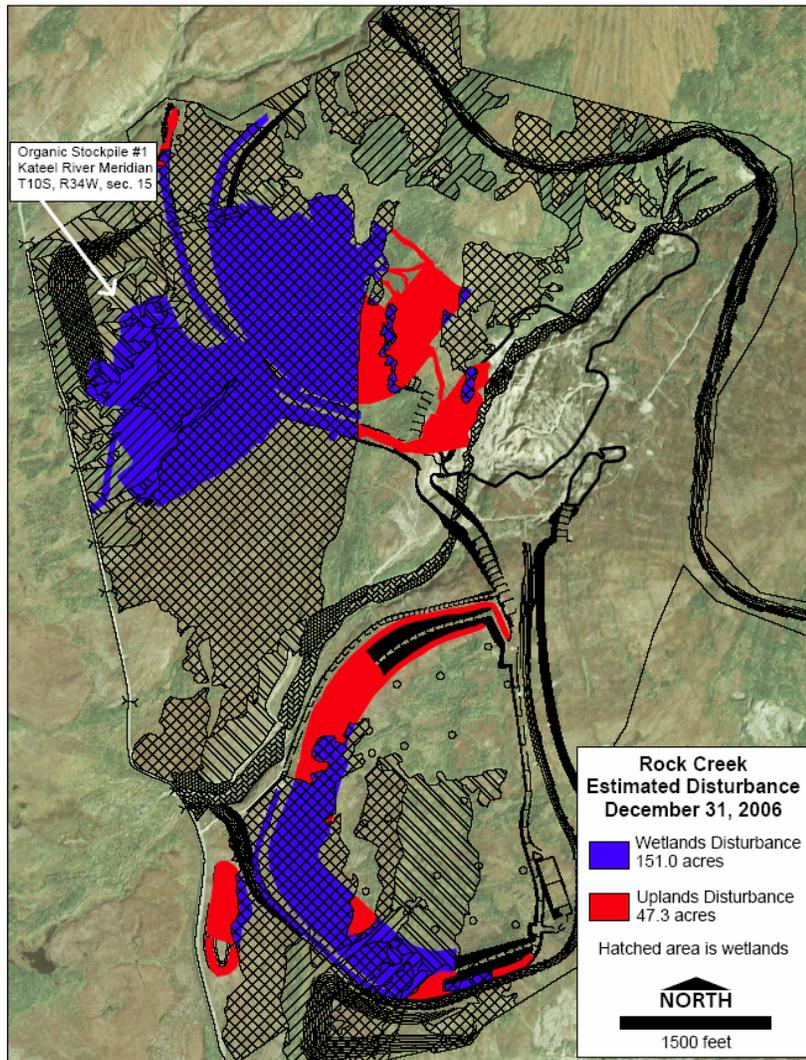
3.0 SURFACE ACREAGE DISTURBED

3.1 ROCK CREEK SITE

198 acres were disturbed as of December 31, 2006 in a breakdown as follows:

- 151 acres of wetland disturbance, and
- 47 acres of upland disturbance

Figure 1 Rock Creek Estimated Disturbance



3.2 BIG HURRAH SITE

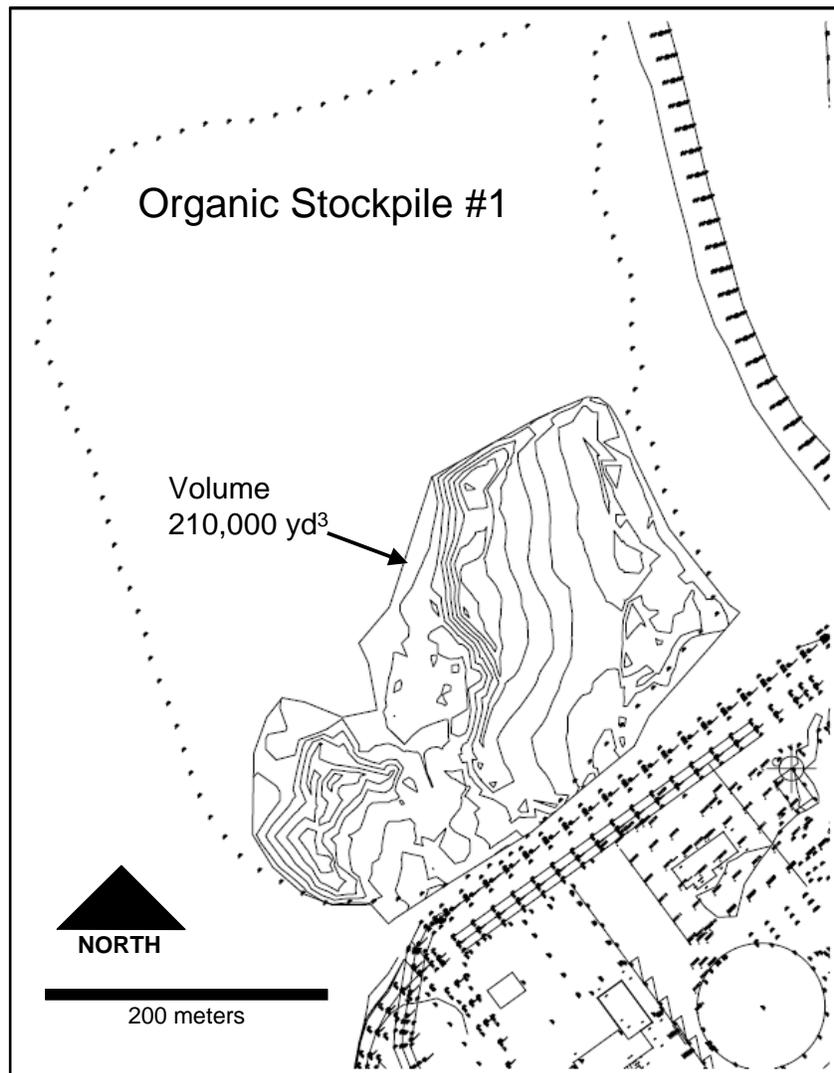
There was not construction or development activity at Big Hurrah during 2006.

4.0 QUANTITIES OF TOPSOIL SALVAGED AND STOCKPILED

4.1 ROCK CREEK SITE

Actual topsoil material is minimal in many areas at the Rock Creek Site. Topsoil mixed with organic material is stockpiled for reclamation purposes. Approximately 210,000 cubic yards of organic fill had been stockpiled in Organic Stockpile # 1 for reclamation use as of December 31, 2006.

Figure 2 Organic Stockpile No. 1



4.2 BIG HURRAH

There was no construction or development activity at Big Hurrah during 2006.

5.0 TONS AND CUBIC YARDS OF POTENTIALLY ACID-GENERATING (PAG) MATERIAL

5.1 MINED THE PAST CALENDAR YEAR

5.1.1 Rock Creek Site

There was no mining activity at Rock Creek during 2006.

5.1.2 Big Hurrah

There was no mining activity at Big Hurrah during 2006.

5.2 PLANNED TO BE MINED IN THE UPCOMING CALENDAR YEAR

5.2.1 Rock Creek

Based on the Mine Plan and Block Model, 125,000 standard tons of PAG will be mined in 2007; all of this material will be waste.

5.2.2 Big Hurrah

Based on mine volume estimates and the Block Model, 127,233 standard tons of PAG will be mined in 2007; 20,973 tons will be ore and 106,260 will be waste. *All PAG ore from Big Hurrah will be transported to Rock Creek for mill processing.

6.0 TONS AND CUBIC YARDS OF NON-POTENTIALLY ACID-GENERATING (NON-PAG) MATERIAL

6.1 MINED THE PAST CALENDAR YEAR

6.1.1 Rock Creek

There was no mining activity at Rock Creek during 2006.

6.1.2 Big Hurrah

There was no mining activity at Big Hurrah during 2006.

6.2 PLANNED TO BE MINED IN THE UPCOMING CALENDAR YEAR

6.2.1 Rock Creek

Based on the Mine Plan Block Model, 4,603,735 standard tons of Non-PAG will be mine in 2007; 342,000 tons will be ore, 4,261,735 tons will be waste.

Big Hurrah

Based on mine volume estimates and the Block Model, 2,253,586 standard tons of Non-PAG will be mined in 2007; 372,997 tons will be ore and 1,880,589 tons will be waste. *All NON PAG ore from Big Hurrah will be transported to Rock Creek for mill processing.

7.0 AVAILABLE PIT VOLUME BELOW THE ANTICIPATED PIT LAKE ELEVATION

7.1 AT THE END OF THE PAST CALENDAR YEAR

7.1.1 Rock Creek

There was no mining activity at Rock Creek during 2006.

7.1.2 Big Hurrah

There was no mining activity at Big Hurrah during 2006.

7.2 FOR THE END OF THE UPCOMING CALENDAR YEAR

7.2.1 Rock Creek

All mining in 2007 will take place above the 100 meter elevation, consequently none of the pit will be below the ultimate pit lake elevation of approximately 62.5 meters.

7.2.2 Big Hurrah

All mining in 2007 will take place above the 70 meter elevation; consequently none of the pit will be below the ultimate pit lake elevation of approximately 62 meters.

8.0 ADEQUACY OF FINANCIAL RESPONSIBILITY

8.1 INFLATION

The current five-year inflation rate is .1% higher than the estimated rate of 2.6% reaching a total of 2.7%. The inflation rate is not applied to all items, but limited to certain items such as long-term monitoring and monitoring well commissioning. The minimal change in the inflation rate coupled with its limited application will not create a significant impact on the adequacy of the bonding.

8.2 SIGNIFICANT CHANGES IN RECLAMATION ACTIVITY COSTS

The equipment rates have not changed since the reclamation bond was estimated. Labor rates have increased slightly for laborers and truck. See Appendix A.

8.3 CONCURRENT RECLAMATION

The project is still in construction phase. There is no concurrent reclamation activity to report for 2006.

8.4 EXPANSION OR OTHER CHANGES TO THE OPERATION OF THE FACILITY

The project is still in construction phase. There have been no changes in the design of the project since the reclamation bond was estimated.

9.0 MONITORING REPORTS

There is no required monitoring until the project goes into operation. Construction is proceeding under the Stormwater Pollution Prevention Plan. Baseline surface and groundwater monitoring is ongoing. These records are available to ADEC upon request.

APPENDIX A

Bonding Values Comparison

Bonding Values Comparison

Rock Creek Annual Report - Appendix A 2006 Activities Davis Bacon Wage Comparison

2006 rates taken from:
2007 rates taken from:

General Decision Number AK20030001 (May 5, 2006)
General Decision Number AK20070001 (February 16, 2007)

Classification	2006		2007		% Change		
	Wage	Fringes	Wage	Fringes	Wage	Fringes	Total
ENGI0302-002							
Power Equipment Operators							
Group 1	\$32.92	\$12.55	\$32.92	\$12.55	0.0%	0.0%	0.0%
Group 1A	\$34.46	\$12.55	\$34.46	\$12.55	0.0%	0.0%	0.0%
Group 3	\$31.62	\$12.55	\$31.62	\$12.55	0.0%	0.0%	0.0%
LABO0341-005							
Laborers: South of 63rd Parallel & West of Longitude 138 Degrees							
Group 1	\$26.18	\$12.75	\$27.00	\$13.30	3.1%	4.3%	3.4%
Group 2	\$26.99	\$12.75	\$27.83	\$13.30	3.1%	4.3%	3.4%
Group 3B	\$31.38	\$12.75	\$32.16	\$13.30	2.5%	4.3%	2.9%
TEAM0959-003							
Truck Driver							
Group 1	\$32.72	\$11.60	\$33.33	\$12.20	1.9%	5.2%	2.7%
Group 1A	\$33.79	\$11.60	\$34.43	\$12.20	1.9%	5.2%	2.7%
Group 2	\$31.65	\$11.60	\$32.23	\$12.20	1.8%	5.2%	2.7%

Consumer Price Index Comparison	
2001-2006 5yr Average	2.62
2002-2006 5yr Average	2.7

(2.6 was used in bond estimate)

Change in Reclamation Bond Estimate	
Original Bond	\$6,844,700
Estimate if only labor rates area updated	\$6,862,077
% Increase	0.3%
Estimate if only inflation rate is updated	\$6,844,699
% Increase	0.0%
Estimate if all items are updated	\$6,862,093
% Increase	0.3%

(actual estimate was \$6,844,683)

Equipment Rental Rates

Equipment rates from NC Machinery (Anchorage, AK) were reviewed and no rate changes were found.