

**FORT KNOX MINE
KINROSS GOLD COMPANY**

KINROSS



Fort Knox Mine

**2007 ANNUAL ACTIVITY REPORT
FEBRUARY 2008**

2007 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, Walter Creek Heap Leach 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).

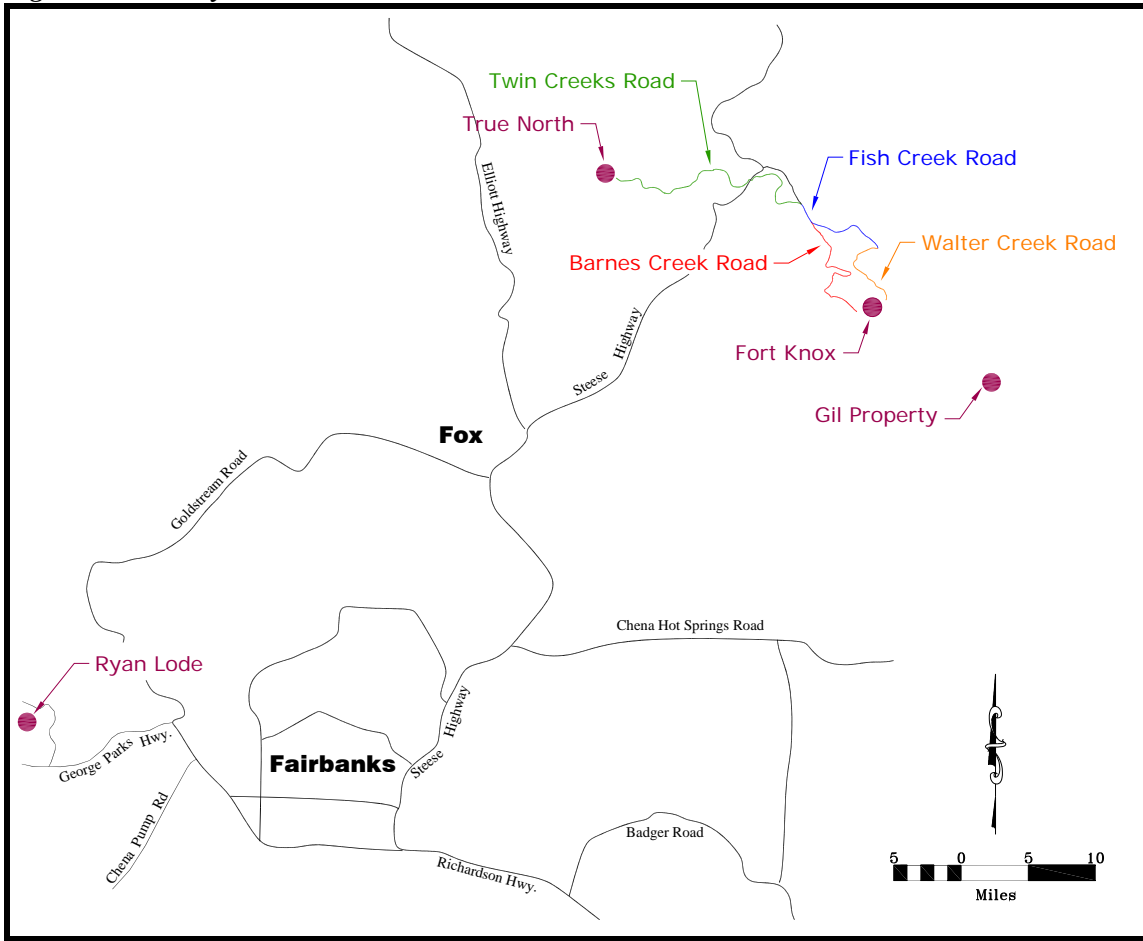
The milling and mining operations at Fort Knox continue to operate 24-hours a day, 365 days a year. FGMI employs 395 personnel as of the end of 2007. Fort Knox produced 333,383 gold equivalent ounces in 2006. Production results for 2007 have not been released yet.

This report describes the mining and milling activities during calendar year 2007 and planned activities for 2008. It is divided into the following 4 sections;

- Section 1 – Introduction
- Section 2 – Description of activities conducted during 2007
- Section 3 – Description of activities planned for 2008
- Section 4 – Description of mine water usage



Figure 1: Facility Locations



2. SUMMARY OF 2007 ACTIVITIES

2.1 Permitting Activities and Land Status

The following is a list of the approved plans and permits issued to FGMI in 2007;

- Certificate of Approval to Construct a Dam, *Walter Creek Heap Leach Pad Dam* (No. FY2008-1-AK00310)
- Exploration Drilling Permit from BLM (#F-95156) for 4th of July Hill property
- Exploration Drilling Permit from BLM (#F-95166) for Parcel A, NOAA property
- Corps of Engineers 404 Permit for Fish Creek (#POA-1992-574-S) for Walter Creek Heap Leach facility
- EPA NPDES Permit (General Permit AKR100000 #AKR10BQ38) for TSF interceptor system upgrades

The following is a list of plan and permit modifications approved in 2007;

- Waste Management Permit (2006-DB0043)
- Fort Knox Millsite Lease (ADL 414960 & ADL 414961)
 - Heap Leach Facility
 - Parcel A (NOAA property)
- Fort Knox Upland Mining Lease (ADL 535408)
- Fort Knox Mine Monitoring Plan (June 2007)
- Fort Knox Reclamation and Closure Plan Approval (by ADNR)
- Fort Knox Plan of Operations (#F20079852)
- Fort Knox APMA F07-9156 (Exploration Drilling on the 4th of July Hill property)
- Fort Knox APMA F07-9736 (Exploration Drilling on the Parcel A, NOAA property)
- US Army Corps of Engineers 404 Permit for Fish Creek (#POA-1992-574) amendments;
 - Road along south abutment of Fort Knox tailing facility (#POA-1992-574-AA)
 - Realign existing power lines (#POA-1992-574-U)
 - Construct road, drill pad, and conveyor belt (#POA-1992-574-X)
 - Realign tailings discharge pipeline (#POA-1992-574-Y)
 - Exploration drilling on Parcel A, NOAA property (#POA-1992-574-Z)

The following is a list of permits pending as of December 31, 2007;

- U.S. Corps of Engineers 404 Permit for Fish Creek (#POA-1992-574-T). Parcel A, NOAA property.
- Fort Knox Reclamation and Closure Plan Approval (by ACOE)

The Heap Leach Facility Operation and Maintenance Manual was completed in 2007. The Tailings Storage Facility and Fresh Water Reservoir Operating and Maintenance Manuals were updated in 2007 along with a revised Emergency Action Plan for all three facilities.

Land Status

An agreement has been reached with NOAA and BLM to release 63 acres from the NOAA withdrawal that are required by FGMI for expansion of the Fort Knox pit. The land will be

conveyed to the State of Alaska who in turn will convey it to the Mental Health Trust Land office (TLO). As part of this agreement, an easement will be put in place on 19 acres of the ridgeline to prevent any activity that could impact the activities of NOAA. In 2007, the land was conveyed to the State of Alaska from BLM. The conveyance to TLO will be finalized in 2008.

FGMI has reached an agreement with TLO to purchase their surface interest within the Millsite Lease area. The purchase will be finalized in 2008.

2.2 Public Safety

Public Safety and Access

FGMI performs necessary maintenance on the mine access road from the Steese Highway to Fort Knox and True North. Mine Operations supplies equipment to grade the road, keep drainage open and perform snow removal in the winter. FGMI Security has increased their presence on the road in 2007. Security officers regularly patrol the road to assist anyone with vehicle trouble and to ensure that speed limits are being obeyed while driving with prudence.

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. 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.

FGMI completed 2007 with the lowest rate of injury in its history. Injuries suffered by employees is defined by the incident rate. The incident rate for 2007 was 1.42 per 200,000 man-hours worked compared to 6.2 per 200,000 man-hours worked

in 2006. Fort Knox employees work approximately 850,000 man-hours per year. New safety initiatives, such as employee driven safety teams and new awards programs for safe behavior have decreased the number of injury incidents and the mine recorded no Lost Time Incidents in 2007. Fort Knox has now completed more than one year without a Lost Time Incident.



Dust Suppression

FGMI uses the Twin Creek haul road to access the Fort Knox and True North Mines from the Steese Highway (Figure 2). 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 applied to the road surface as a dust suppressant on the Fish Creek, Barnes Creek, Walter Creek and Twin Creek roads. Additionally, water is applied to the roads as needed to control fugitive dust. These measures were effectively implemented beginning in 2005. There were no complaints of road dust received in 2007.

Recreational Trails

The Gilmore and Alpha C trails remained open to recreational users. However, portions of the Gilmore Trail in the vicinity of the Fort Knox west pit area will be closed beginning in 2008 to ensure public safety. The closure will be due to an expansion of the pit to the west. 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

With no ore haul trucks from the True North mine traveling Fish Creek Road or Twin Creeks Road, no noise monitoring was performed in 2007.

2.3 Mine Operations

Pit Production

In 2007, FGMI mined nearly 46 million tons of material from the Fort Knox pit with an average production rate of 126,000 tons per day (Table 1). Ore production increased by 78% to an average of 60,300 tons per day from an average of 33,900 tons per day in 2006. The increase in ore production resulted from stockpiling lower grade ore for future heap leaching.



Pit Production

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
2007	11.71	10.31	23.92	45.98
Total	139.99	47.64	243.75	431.42

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 6 (Figure 3). Phase 4 and Phase 5 were completed in 2006 leaving Phase 6 as the only active mining phase during 2007. 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 63.9 million tons of mining production. Phase 7 stripping is currently planned to commence in the 4th quarter of 2008 and stripping will continue until 2011 at which point sustained ore feed for the mill is reached. Phase 7 will allow

the Fort Knox pit production to continue until 2014. Stockpile material will continue to be mined and placed on the Walter Creek Heap Leach facility until 2018. The mill is planned to operate until 2014 when mill grade material is depleted from Phase 7.

Active mining at True North has been suspended since 2004 and is not currently scheduled for 2008.

Figure 3: Fort Knox Pit Phases



Pit Dewatering

As of the end of 2007, 22 active dewatering wells with a combined pumping capacity of 1,400 gallons per minute were available for pumping groundwater. The average pumping rate during 2007 was approximately 935 gallons per minute. Two new dewatering wells became active in 2007. One new well to the northeast of the pit was installed to divert groundwater from the fault structures from seeping into the pit. The second well was installed to remove water from Phase 4. There is a 15% decrease in dewatering from 2006 to 2007. Nine additional wells are planned for 2008; four to continue diverting water from the main pit and five wells to dewater Phase 7 prior to mining activity.

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
2007	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 between 36,000 and 50,000 tons. Mill feed is first crushed to minus 6 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. The SAG mill reject conveyor, newly installed in late 2007, transports crushed SAG mill recycle material to outside stockpiles for future placement on the Walter Creek Heap Leach facility. 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 changes noted. Table 3 includes a summary of the tonnage milled from November 1996 through December 31, 2007. Some low-grade ore from Fort Knox was processed during calendar year 2007.

The continued intense management of the tailing thickener circuit and recycling of process water in 2007 resulted in minimal usage of copper sulfate & ammonium bisulfate. With the reductions in reagent usage, FGMI anticipates lower levels of ammonia, nitrates, sulfate, copper, and TDS in the decant water. Additionally, since no True North ore was processed in 2007, no lead nitrate was consumed in the milling process.

Mill operations continued to focus on operational improvements to increase throughput and recovery. Mill availability was 94.48% for calendar year 2007.

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
2007	14.02
Total	159.31

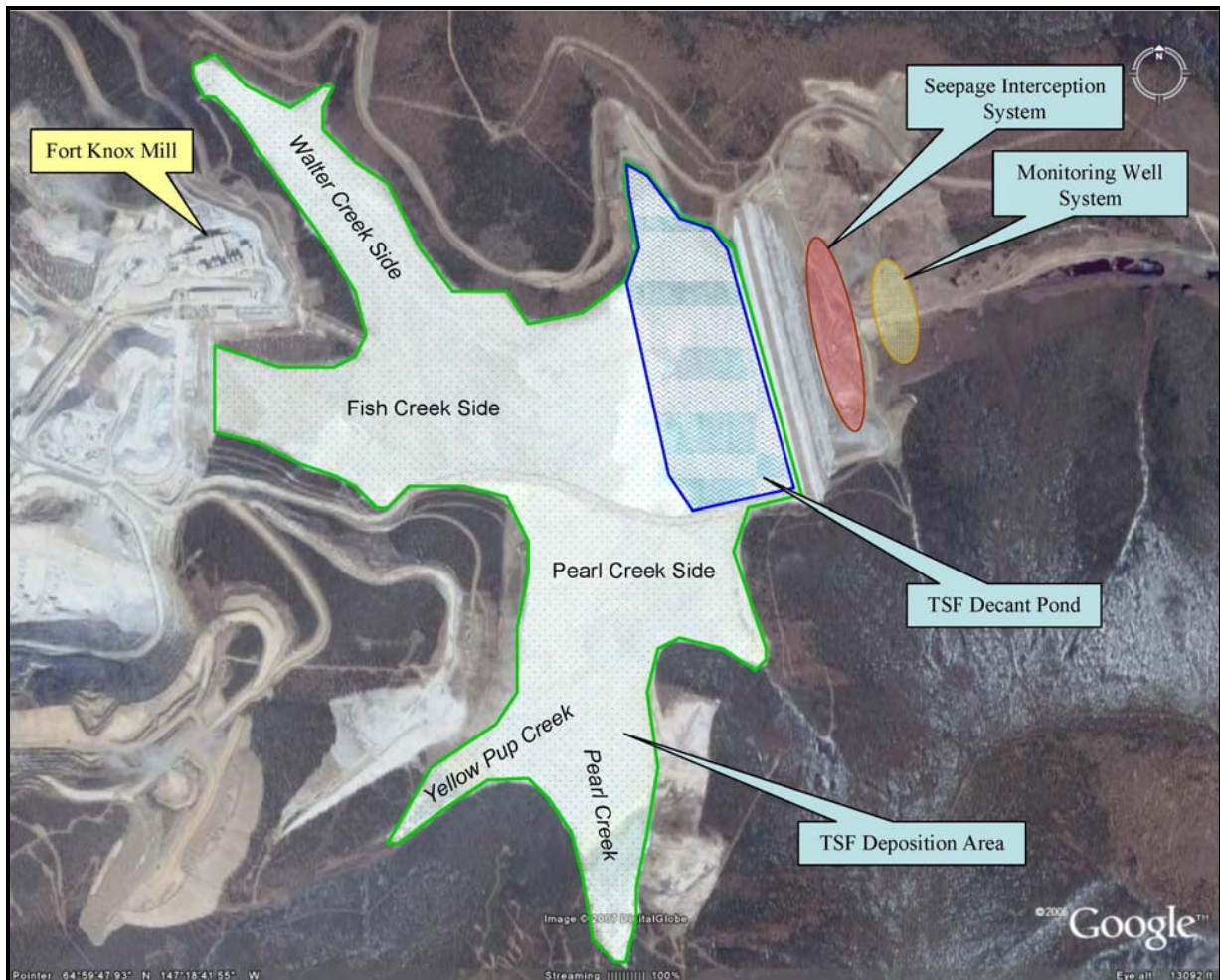
2.5 Tailings Storage Facility (TSF)

The TSF consists of a tailings deposition area, decant pond, dam, 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 estimated to contain 4,241 ac-ft of available water, as of December 31, 2007, 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 by the mill. In addition, the mill discharges process solution to the tailings impoundment and uses the water in the tailing impoundment for makeup water. The TSF dam is designed for seepage to pass through the dam and be captured and returned to the tailings impoundment by the pump-back system.

Figure 4: Fort Knox Tailings Storage Facility



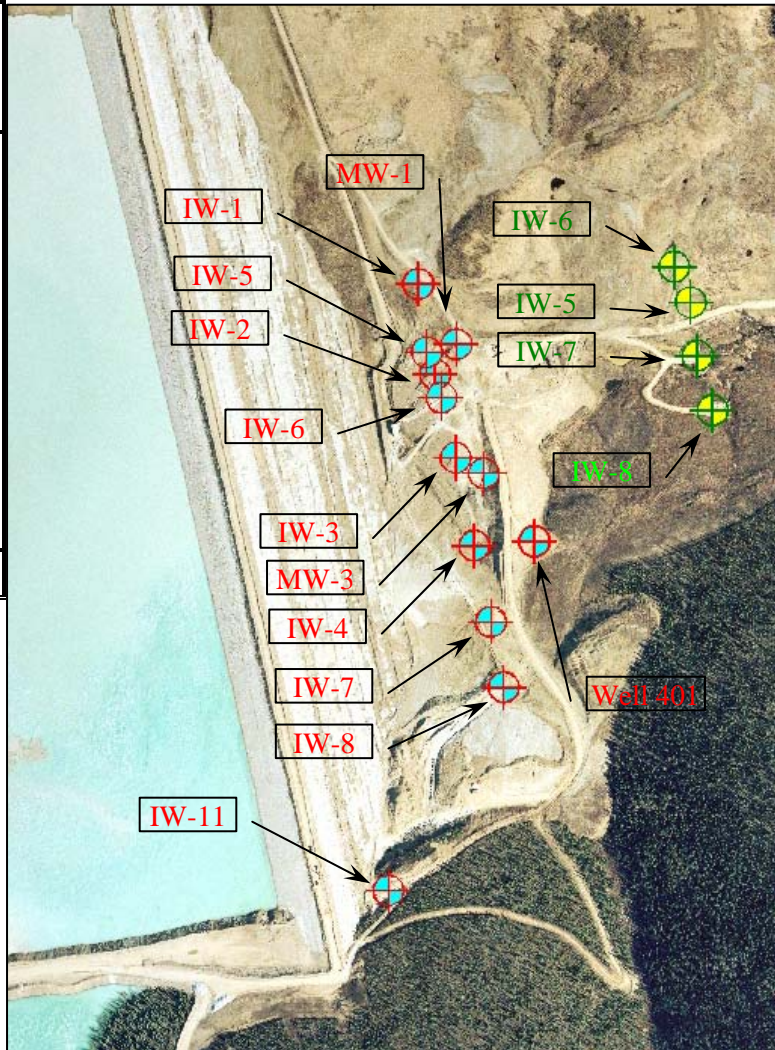
TSF Interceptor System

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 pumps and a 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 (Figure 5). 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.

The interceptor well system continued to function as designed, maintaining a continuous cone of depression across the Fish Creek valley. Interceptor well IW-2 had previously collapsed during cleaning and was replaced in 2007. The interceptor wells pump continuously with individual pumping rates ranging from approximately 10 gpm to 110 gpm (Table 4). To enhance the system and further ensure all seepage is captured, three additional interceptor wells were constructed in April and May of 2007 (IW-7, IW-8, and IW-11) and an interception toe drain was added.

Table 4 & Figure 5: TSF Interceptor System Pumping Rates

Well ID	Approx. Average Pumping Rate (gpm)	Well Depth (ft)
IW-1	35	320
IW-2	14	329
IW-3	20	310
IW-4	9	330
IW-5	105	380
IW-6	22	380
IW-7	24	197
IW-8	62	184
IW-11	18	296
MW-1	12	305
MW-3	6	296
Well 401	8	36
Toe Drain	5	n/a
Total	340	



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 immediately down-gradient of the seep to the TSF,
- increasing the frequency of water quality monitoring (daily through May 2007, weekly from May to August 2007, and monthly from August 2007 to present),

- conducting an additional dam inspection by the Engineer of Record (Knight-Piesold),
- placement of additional groundwater interception wells, and
- constructing a toe drain to capture shallow groundwater flow.

On January 11 and 12, 2007, Mr. Tom F. Kerr, P.E. (Alaska) of Knight Piesold, the Engineer of Record for the TSF 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 continued to be analyzed in the TSF decant and seepage reclaim water during 2007 (Figures 6, 7, 8, & 9). The decant water analysis results indicate that arsenic, antimony, and selenium 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, antimony, and selenium concentrations can be identified from 2004 through 2007 in Figures 5, 7, & 8. Lead is occasionally detected in the TSF decant and seepage but most often not detected in collected samples (Figure 7).

Figure 6: Average Quarterly Arsenic Concentrations in TSF Seepage & Decant

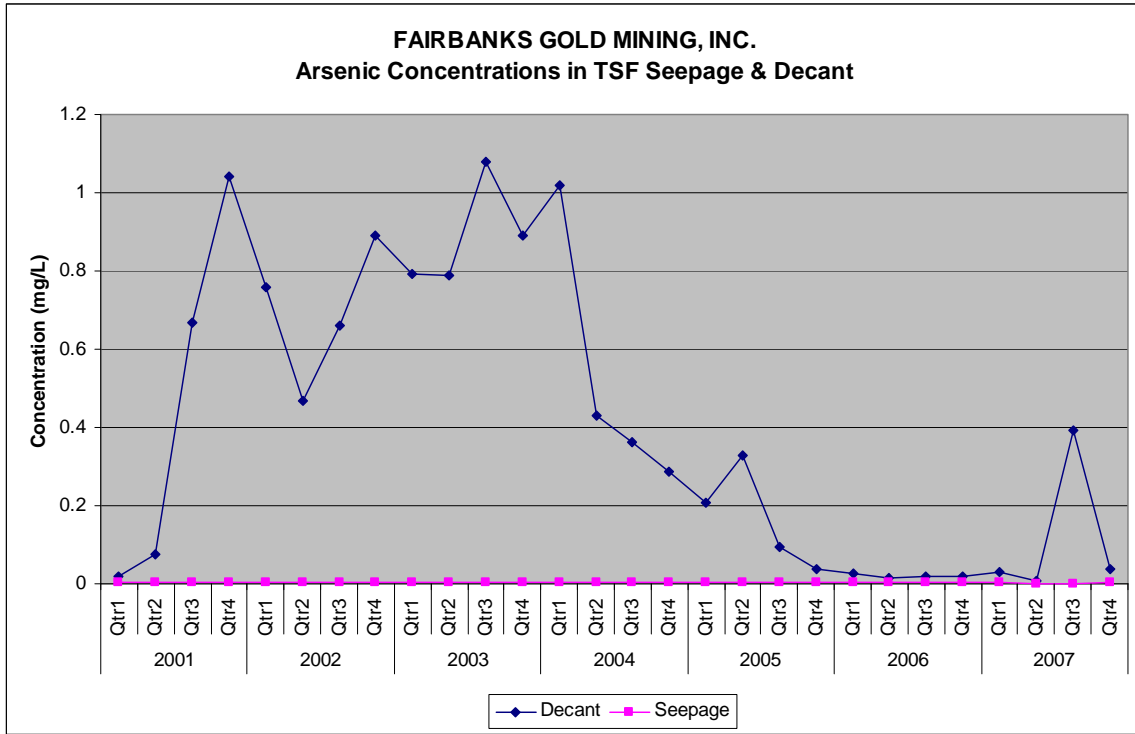


Figure 7: Average Quarterly Lead Concentrations in TSF Seepage & Decant

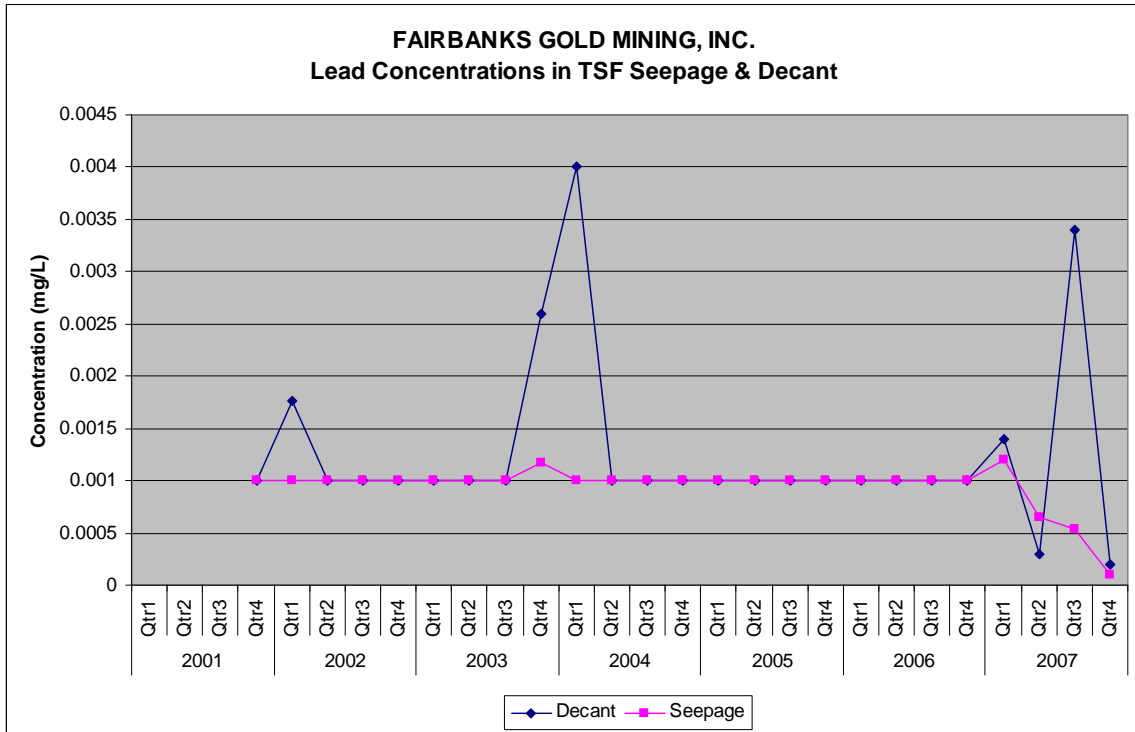


Figure 8: Average Quarterly Antimony Concentrations in TSF Seepage & Decant

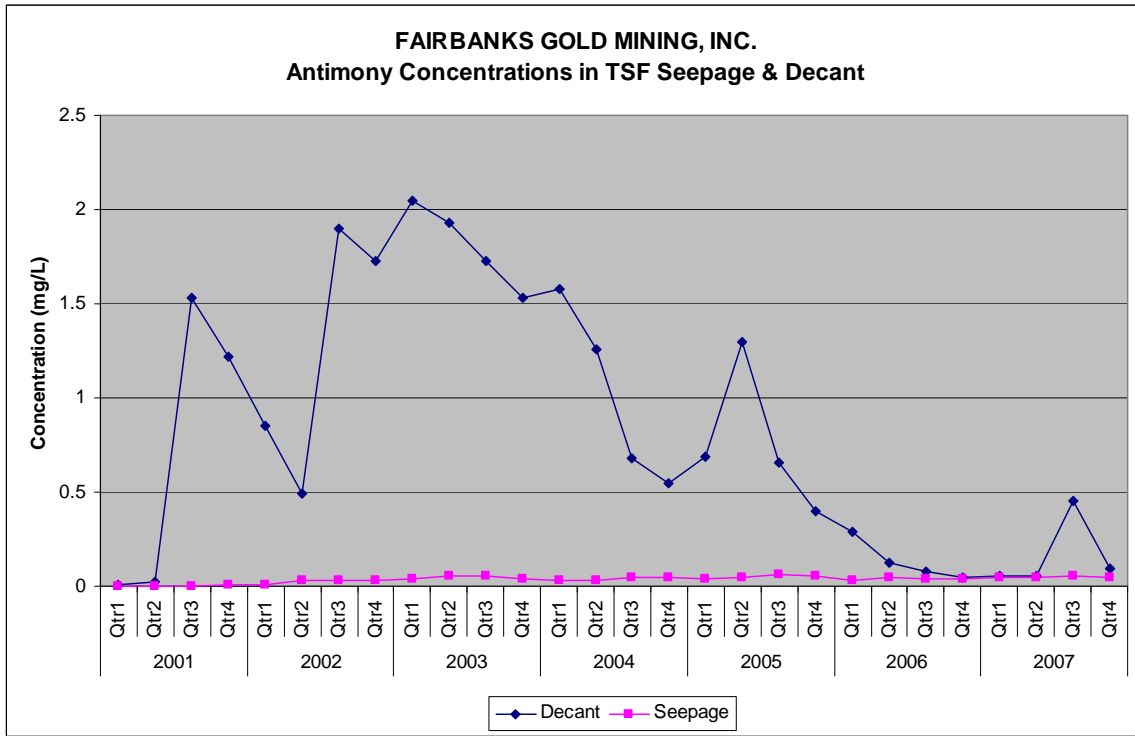
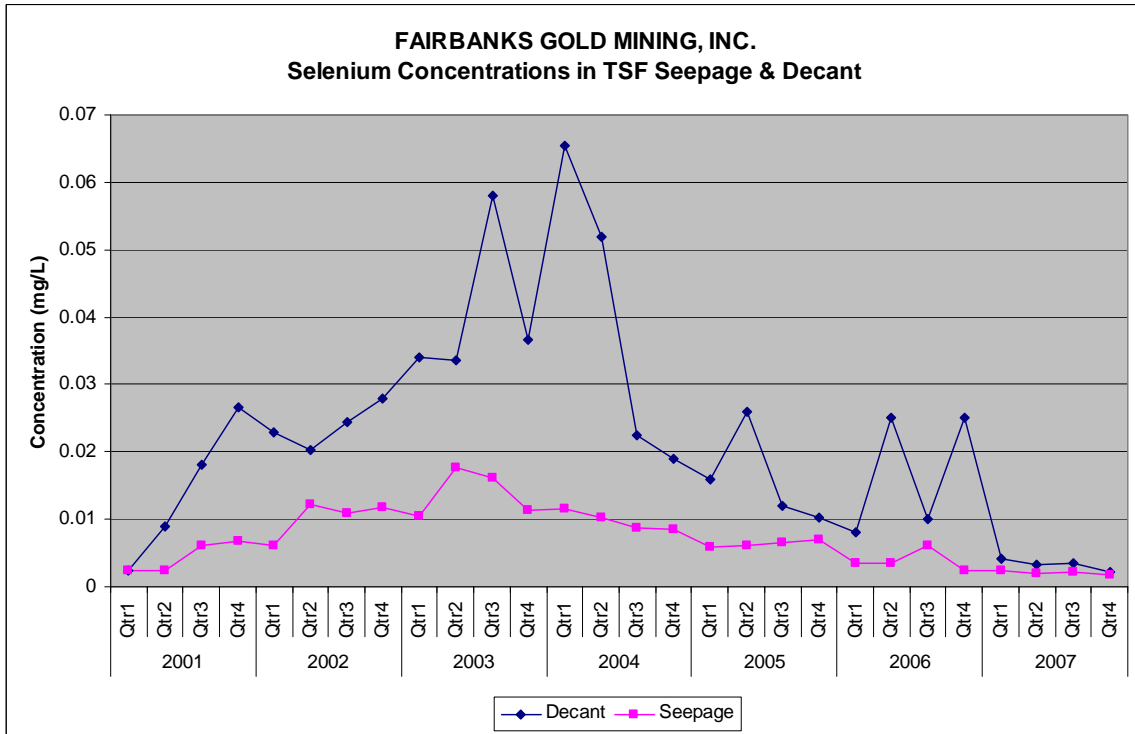


Figure 9: Average Quarterly Selenium Concentrations in TSF Seepage & Decant



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 261 gpm for a total of 421 ac-ft pumped during 2007. Total pumping from the WSR to the TSF was 645 ac-ft which occurred during late September through early December 2007.

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 2007, peak spawning activity occurred between May 16 and May 18. Spawning in Last Chance Creek was again limited due to 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. Last Chance Creek stream channel will be modified in 2008 to discourage future aufeis accumulation and allow for aquatic access to spawning habitat (see Section 3.6).



Fish Habitat Study (Arctic Grayling)

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 5,930 fish larger than 8 inches.

The Burbot population increased substantially after flooding the Fresh Water Reservoir and the number of large burbot (greater than 15 inches) has remained fairly stable since 2001.

An underwater diver inspection of the Fresh Water Supply Reservoir dam and outlet works was completed in August 2007. No significant degradation was discovered during the inspection.

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 and continued in 2007 (Figure 10). Regrading and channel construction was completed for all four borrow areas during 2007 although additional channel construction will be done within the North Filter Pit in 2008. Seed and fertilizer were applied to each area except the North Filter Pit which was not regraded in time for revegetation during 2007. Additional revegetation and reclamation of these borrow areas is scheduled for 2008.

The current reclamation plan for the Fort Knox Mine has been revised to reflect the life of mine plan of operations including the Walter Creek Heap Leach facility. 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 has been adjusted to reflect the proposed changes in future operations at Fort Knox (see below).

At Fort Knox, growth media continues to be stockpiled for use as necessary in final reclamation and closure. Table 5 summarizes the volumes of topsoil stockpiled at Fort Knox for future use as growth media.

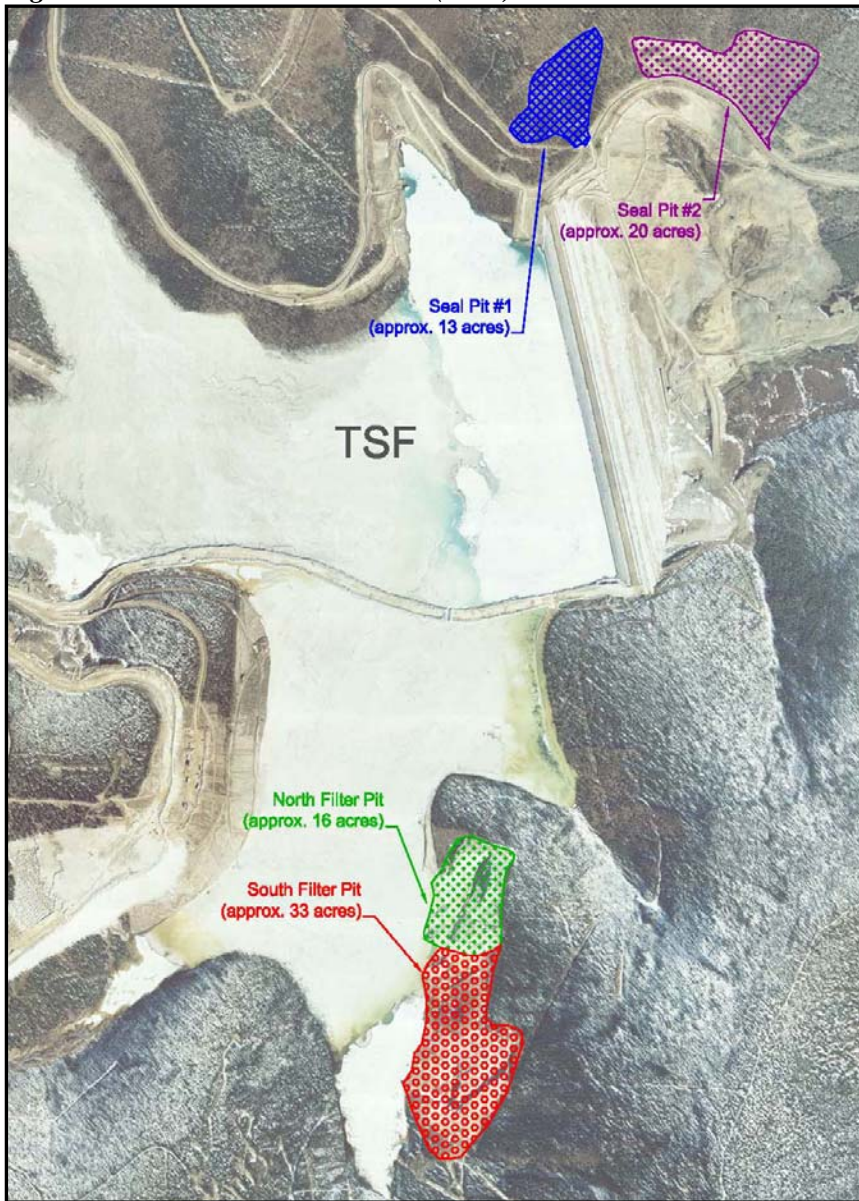


Aerial Seeding at True North

Table 5: 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
Walter Creek Stockpile	440
Total	6,619

Figure 10: Fort Knox Reclamation (2007)



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 areas were 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 2007. Table 6 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 2007, these 124 acres were visually monitored to evaluate revegetation progress and ground stability. Approximately 100 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 2008. The hillside slump at the reclaimed North Shepard Dump is being monitored using a wireline extensometer to identify any further movement of the slump. As of the fall 2007, no additional movement was identified. Once the slump is deemed stable, it will be regraded and revegetated as necessary.



Portion of True North Reclamation (2007)

An area within the North Central Pit that was retaining storm water was backfilled during 2007 to encourage groundwater infiltration. In addition, approximately 2,000 feet of diversion ditch was rehabilitated along the North Central Pit rim to divert storm water away from the pit and into an infiltration basin located within the True North property boundary.

Table 6: 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

Financial Assurance

FGMI posted a Reclamation Bond with the State of Alaska Department of Natural Resources (ADNR) and State of Alaska Department of Environmental Conservation (ADEC) for \$37,614,878.84. This bond amount is based on updated reclamation and closure costs calculated in 2007 and approved by ADNR and ADEC (Table 7).

Table 7: Financial Assurance Bond Calculation

Plan/Permit/Lease #	Amount (\$)	Descriptions
Fort Knox Lease Nos. ADL 414960 and 414961, Plan of Operations Approval F20079852, and Waste Management Permit 2006-DB0043	\$34,314,418	Fort Knox Mine Reclamation and Closure
Lease #ADL 416509 True North Plan of Operations Mill Site	\$1,301,100.00	True North Mine Project Mill Site
Approved True North Reclamation and Closure Plan	\$1,155,774.00	True North Plan of Operations
Lease #ADL 416471 True North Plan of Operations Approval	\$80,000.00	True North Access Road
Solid Waste Disposal Permit 0231-BA004	\$29,050.00	Ryan Lode Closure/Post Closure
Post Reclamation Maintenance	\$734,536.84	
TOTAL	\$37,614,878.84	

2.8 Walter Creek Heap Leach Facility

Fairbanks Gold Mining, Inc. has started construction of a 161 million-ton capacity heap leach pad within the Walter Creek drainage above the existing tailing storage facility. The final required permit from the US Army Corps of Engineers Alaska District was received on October 31, 2007. Stage 1 tree clearing and organic stripping has been completed. Valley bottom & embankment foundation excavation is in progress. 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.

Ore for the heap leach will consist of run-of-mine rock from the Fort Knox Pit and various stockpiles. Currently, 91 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 dam. 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 (LLDPE) liner over the sub-base. Beyond the limits of the in-heap storage reservoir, there will be a single LLDPE liner overlaying the sub-base. Overlaying the LLDPE 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 filled with drain aggregate will route water from seeps and springs under the sub-liner to the tailing storage facility (TSF).

Barren solution will be applied on the heap leach using drip emitters. The solution will flow through the run-of-mine ore. Pregnant solution will flow to the in-heap storage reservoir, which will have an operating capacity of 58 million gallons and a total storage capacity of 110 million gallons. The in-heap storage reservoir is designed to contain the 100-year, 24-hour storm event, the average 30-day spring breakup, drawdown of the heap plus provide three feet of freeboard. The pregnant solution that collects in the in-heap storage reservoir will be pumped to the Carbon-In-Columns (CIC) plant. 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.

The heap leach pad will be located immediately upstream of the TSF. The TSF is designed and maintained to contain the 100-year, 24-hour storm event, the average 30-day spring breakup plus 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. 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 and Land Status

Permits currently in process for 2008 include the Corps of Engineers 404 Permit for Fish Creek (Permit # N-920574). Permit # N-920574 has been extended for one year.

The Operating and Maintenance Manuals for the Fresh Water Supply Reservoir Dam, TSF Dam, and Heap Leach Facility will be updated in 2008 to reflect any recent design changes. The Fort Knox Reclamation and Closure Plan will also be updated to incorporate any changes to the life-of-mine production plan.

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.

FGMI will continue to implement its employee driven safety program to reduce the number of injuries to Fort Knox and True North employees.

3.3 Mine Operations

Table 8 contains the planned mining for calendar year 2008 at the Fort Knox Mine.

Table 8: Planned Mining Tons for Calendar Year 2008

(Tons x 1,000)	Mill Grade	Low Grade	Leach Stockpile	Waste	Total
Fort Knox	13,510	4,496	13,303	20,671	51,980

3.4 Mill Operations

No significant operational changes are expected for the Fort Knox Mill during 2008. Projected mill throughput for 2008 is approximately 15.29 million tons. The increased mill throughput is related to the installation and operation of the new mill reject conveyor. This conveyor removes the hardest rock particles from the milling circuit, which then allows for increased new feed to the SAG mill.

3.5 Tailings Storage Facility (TSF)

Tailings deposition will continue to be in the main pond (Barnes Creek drainage) and Yellow Pup/Pearl Creek drainage during 2008. Tailing deposition will focus on maximizing water recovery along with managing the operating pool within the impoundment to accommodate re-circulation of process water.

3.6 Fresh Water Supply Reservoir & Constructed Wetlands

Operation of the water supply reservoir will continue as described in the Plan of Operations. 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. Habitat maintenance consisting of beaver dam removal and

modifying Last Chance Creek channel is scheduled for 2008 to improve aquatic habitat and allow for spawning access upstream of the Fresh Water Reservoir.

FGMI will be modifying approximately 500 feet of Last Chance Creek to reduce aufeis formation and improve aquatic access to spawning habitat in the creek drainage. The modification will consist of excavating two channel reaches approximately 2½-5 feet deep and 5 feet wide. The channel excavation will be backfilled with (-)3½ inch sized granite to allow partial subsurface flow during baseflow conditions. This plan may be adjusted dependent on further investigation of aufeis formation within Last Chance Creek during spring 2008.



3.7 Reclamation

Reclamation of the borrow areas at Fort Knox as described in Section 2.7 will continue in 2008 with additional seed and fertilizer applications to promote rapid revegetation and slope stability. A native seed mix, approved by the DNR, and fertilizer mix will be applied to further 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 began on October 31, 2007. Construction activities during 2008 will consist of constructing the underdrain, the base platform, the embankment, access roads, the subbase layer, placing the liner and the overliner, constructing the PCMS, the LCRS, and the in-heap storage pond, solution recovery wells and the CIC plant. Ore placement and active leaching is planned for late 2008.

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 (Table 9 & Figure 11);

- 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
- Mill process water discharge to the TSF

Table 9: Fort Knox Water Balance Summary for 2007

Water Balance Process	Volume (ac-ft)
Fresh Water Reservoir (WSR) to Mill	542
Fresh Water Reservoir (WSR) to TSF	424
TSF to Mill	15,162
Mill to TSF (Estimated Water in Tailings Slurry)	15,704
Pit Dewater to TSF	1,532
Seepage Reclaim (Interceptor System)	2,908

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 2007. Temporary water use permit TWUP F2002-14 authorizes taking water from the surface water source.

Figure 11: Mine Water Use Diagram

