

True North Mine

Reclamation Plan Approval

(F20127522)

DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

July 26, 2012

The Alaska Department of Natural Resources, Division of Mining, Land and Water (ADNR), in accordance with and subject to Alaska Statutes 27.19 (Reclamation) and the Alaska Administrative Code, Title 11 and Chapter 97 (Mining Reclamation), approves the Reclamation Plan for the True North Mine (F20127522) submitted by:

Fairbanks Gold Mining Inc.
P.O. Box 73726
Fairbanks, AK 99707

Throughout this document, unless otherwise specifically indicated, reference to FGMI or Permittee is considered a reference to Fairbanks Gold Mining Inc..

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 Reclamation Plan is considered to consist of the True North Gold Mine Reclamation and Closure Plan (May 2012), the True North Mine Monitoring Plan (May 2012), and the True North Mine Closure Cost Estimate SRCE_Version_1_4_1_014.xlsm. Reference to any of these documents throughout this Reclamation Plan Approval is considered to be a reference to the Reclamation Plan. Likewise any and all stipulations associated with the approval of any of these individual plans are considered to be a requirement of the Reclamation Plan Approval.

Effective dates of this plan approval are July 26, 2012 through July 25, 2017, unless sooner revoked for cause; however, Fairbanks Gold Mining Inc.'s obligations under the terms and conditions of this plan approval shall continue beyond the effective term of this plan approval, unless sooner terminated in accordance with the provisions of this plan approval, until completion of all requirements under and pursuant to the Reclamation Plan Approval.

This plan approval is for activities upon state lands encompassed by the True North Mine as described in the True North Gold Mine Reclamation and Closure Plan (May 2012).

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

The Reclamation Plan was found to be complete and is approved by DNR with the following conditions:

GENERAL STIPULATIONS

Financial Assurance. This Reclamation Plan Approval does not take effect until Fairbanks Gold Mining Inc. submits financial assurance in an amount and form approved by ADNR. In accordance with terms of FGMI's financial assurance and applicable

regulations, the financial assurance shall not be released until affected areas have been reclaimed and are approved by the Authorized Officer and all other terms of this Reclamation Plan Approval are met. Modifications to the True North Mine Reclamation and Closure Plan and notification of Temporary Closure may, at ADNR's discretion, require review and update of the amount and/or the form of the financial assurance. The total initial financial assurance amount of \$3,066,526 has been approved for the True North Mine. ADNR may require or allow revisions to the financial responsibility cost estimates based upon: (1) monitoring results at the True North Mine; (2) changes in costs for labor, equipment, fuel, or chemicals; (3) changes in the scope and nature of work required under the True North Mine Reclamation and Closure Plan; and/or, (4) completed and approved reclamation, (5) annual revision of the Standardized Reclamation Cost Estimate (SRCE) model.

Terms of this Plan Approval. The Terms and Conditions contained within the True North Gold Mine Reclamation and Closure Plan (May 2012), and the following Supporting Documents are hereby incorporated by reference as stipulations of this Reclamation Plan Approval:

- True North Monitoring Plan (May, 2012);
- True North Closure Cost Estimate SRCE_Version_1_4_1_014.xlsm.

If there is a difference between the Reclamation Plan as submitted and the terms contained within this Reclamation Plan Approval, the terms contained within this Reclamation Plan Approval take precedence. Changes to the documents incorporated herein must be approved by ADNR if they affect this Reclamation Plan Approval. If ADNR approves the changes, they become terms of this Reclamation Plan Approval.

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

Monitoring. Monitoring shall be conducted in accordance with the True North Gold Mine Reclamation and Closure Plan (May 2012) and the True North Monitoring Plan (May 2012) as approved by the Department.

Reporting. The results of monitoring, required by the True North Monitoring Plan (May 2012) and any other monitoring required by this Reclamation Plan Approval shall be summarized and submitted to the Authorized Officer, no later than 60 days after the last day of the reporting period, in hard copy and electronic format acceptable to ADNR. Any other monitoring required by state or federal authorizations shall be provided upon request of the Authorized Officer. An annual report will be due by March 1st that summarizes activities (surface disturbance, reclamation, and monitoring) conducted during the previous calendar year, and that discusses relevant plans for the upcoming year. The annual report shall also address the adequacy of the

financial assurance, including, but not limited to, inflation, significant changes in reclamation activity costs, concurrent reclamation, and monitoring results. A Final Closure Report shall be submitted to ADNR when all reclamation is completed as described in the True North Mine Reclamation and Closure Plan (May 2012). The Final Closure Report should summarize all completed closure related activities.

Electronic copies of all quarterly reports and electronic and hard copies of the annual report should also be sent to ADNR, 3700 Airport Way, Fairbanks, AK 99709-4699 (Brent Martellaro at brent.martellaro@alaska.gov and Jim Vohden at jim.vohden@alaska.gov), ADNR Office of Project Management and Permitting, 550 West 7th Avenue, Suite 1430, Anchorage, AK, 99501 (Tom Crafford at tom.crafford@alaska.gov), ADF&G Habitat Division, 1300 College Road, Fairbanks, AK 99701-1551 (Bill Morris at william.morris@alaska.gov), and ADEC, Wastewater Discharge Program, 610 University Avenue, Fairbanks, AK 99709-3643 (Tim Pilon at tim.pilon@alaska.gov). Amendments to this distribution list will be provided to FGMI as needed.

Final Maps. Fairbanks Gold Mining Inc. shall submit to ADNR a Final Map in conjunction with the Final Mine Closure Report (unless otherwise approved by ADNR). The map (or maps) shall illustrate the final reclamation and closure of all facilities within the project area as described in the True North Gold Mine Reclamation and Closure Plan (May 2012). Maps shall be of an appropriate scale necessary to review the closure of the project area.

Abandonment or Cessation of Operations. The True North Gold Mine Reclamation and Closure Plan (May 2012) represents the permanent cessation or abandonment of mining and milling operations at the True North Mine. Permanent reclamation of individual facilities must be implemented and completed in accordance with the conditions of this Reclamation Plan Approval.

Permanent reclamation of a facility will be complete when the following criteria are met:

- All terms of the current True North Gold Mine Reclamation and Closure Plan and conditions of this Reclamation Plan Approval have been met;
- All performance standards under 11 AAC 97.200 and 11 AAC 97.240 have been achieved;
- A stable vegetative cover is established per the requirements of this Reclamation Plan Approval.

Post-Closure. After completion of reclamation of the site in accordance with the True North Gold Mine Reclamation and Closure Plan and conditions of this Reclamation Plan Approval, Fairbanks Gold Mining Inc. shall maintain the site during the post-closure monitoring period, correcting any erosion, settlement or other degradation of the facilities that may impair water quality or threaten the environment.

Post-closure monitoring of the groundwater, surface water and visual monitoring for settlement and erosion shall continue according to the monitoring schedule set out in the current True North Monitoring Plan (May 2012) approved by ADNR. This schedule and the parameters monitored may be modified by ADNR based on the monitoring results.

Erosion Standard: Erosion features which form in areas that have been recontoured and covered with topsoil must be stabilized if they affect the long-term stability of the reclaimed area or may result in additional erosion or sedimentation. Actions to stabilize erosion features shall be conducted in a manner that minimizes disturbance to adjacent areas. Subsequent inspections shall be completed to verify that rills and gullies do not persist. If chronic or long-term erosion features are identified, then remediation of the site drainage that is contributing to the formation of the rills and gullies shall be completed.

Invasive Weed Control: Fairbanks Gold Mining Inc. shall inspect revegetated areas to identify invasive plant species and eradicate these species to the extent practicable. If invasive plant species are identified, FGMI shall notify the Authorized Officer. If equipment is brought into the area from regions with known populations of invasive plant species or noxious weeds, that equipment should be inspected and thoroughly cleaned to remove soil, plant and seed contaminants prior to use at the mine site. If a population of noxious weeds is found at the mine site, equipment should be inspected and thoroughly cleaned to remove soil, plant and seed contaminants prior to use at another area at the mine site.

PROJECT - SPECIFIC STIPULATIONS

True North Gold Mine Reclamation and Closure Plan (May 2012):

Section 6.3 Roads, Trails and RS 2477 Routes:

- A proposal for realignment of RS2477 trails will be submitted to ADNR Northern Region Lands Section for approval. These realignments will provide access through and within the property reasonably comparable to the original route(s), not affect land in other ownership, and connect to the original route(s) where they enter and exit the property. Final trail alignments will be submitted on a DMLW-approved trail location map created according to the *Minimum Mapping Requirements for Trail Location Maps on DNR Managed Lands*, or such alternative higher standard as may be approved by ADNR Northern Region Lands Section (and Survey Section, as applicable).

True North Monitoring Plan (May 2012):

- Water quality monitoring will be conducted as described in the True North Monitoring Plan (May 2012).
- Stability Monitoring will be conducted as described in the True North Monitoring Plan (May 2012). Stability Monitoring will continue at the frequency described in the plan until increased stabilization of the waste rock dumps indicate a reduced frequency or cessation of monitoring is warranted and otherwise approved by ADNR.

STANDARD STIPULATIONS

Alaska Historic Preservation Act. If burials or human remains are discovered as a result of or during the activities authorized by this Reclamation Plan Approval, all activities which would disturb such remains shall be stopped and measures taken to protect the site. The State Historic Preservation Officer (907-269-8721) and the State Troopers shall be contacted immediately so that compliance with state laws may begin.

Reclamation Stipulations.

- a. Topsoil and overburden, not promptly redistributed to an area being reclaimed, shall be separated and stockpiled for future use. This material shall be protected from erosion and contamination by acidic or toxic materials and shall not be buried by development rock or surface construction activities.
- b. The area to be reclaimed shall be recontoured or reshaped to blend with surrounding topography using approved development rock or overburden, and then be stabilized to a condition that shall retain sufficient moisture to allow for natural revegetation.
- c. Stockpiled topsoil, overburden fines and brush or other organic material shall be spread over the recontoured areas to promote natural plant growth.
- d. Exploration trenches shall be backfilled and the surface stabilized to prevent erosion. Brush piles, stumps, topsoil, and other organics shall be spread on the backfilled surface to inhibit erosion and promote natural revegetation. Reclaimed exploration trenches shall have water bars installed as needed for erosion control.
- e. All surface drill holes shall be plugged by the end of the exploration season during which they are drilled, unless otherwise specifically approved by the Division of Mining, Land & Water.

- f. All surface drill holes shall be plugged with bentonite holeplug, a benseal mud, or equivalent slurry, for a minimum of 10 feet within the top 20 feet of the drill hole in competent material. The remainder of the hole will be backfilled to the surface with drill cuttings. If water is encountered in any drill hole, a minimum of 7 feet of bentonite holeplug, a benseal mud, or equivalent slurry shall be placed immediately above the static water level in the drill hole. Complete filling of the drill holes, from bottom to top, with a bentonite holeplug, benseal mud, or equivalent slurry is also permitted and is considered to be the preferred method of hole closure.
- g. If artesian conditions are encountered in surface drill holes, the operator shall contact the Division of Mining, Land & Water (Brent Martellaro – (907) 451-2788) or the Department of Environmental Conservation (Tim Pilon – (907) 451-2136) to advise the agencies of proposed hole plugging methodology and receive approval for the hole plugging plans.

Inspection and Entry. Fairbanks Gold Mining Inc. shall permit authorized representatives of ADNR to enter the area and facilities covered under this Reclamation Plan Approval at all reasonable times without notice for the purpose of inspecting the area and activities covered under this Reclamation Plan Approval. Inspectors shall observe FGMI's safety and security procedures.

Upon ADNR's written request, FGMI shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, ordinance, permit, or this Reclamation Plan Approval, available to ADNR for inspection and copying as reasonably required by ADNR to determine FGMI is in compliance with local, state and federal laws governing the operations authorized under this Reclamation Plan Approval.

Upon ADNR's written request, FGMI shall promptly make any and all records, documents, or other information required to determine if site environmental controls are functioning as designed available to ADNR for inspection and copying as reasonably required by ADNR.

Upon ADNR's written request, FGMI shall promptly make any and all records, documents, or other information required to evaluate reclamation and closure cost estimates available to ADNR for inspection and copying as reasonably required by ADNR.

In any response to ADNR's written request, FGMI may assert that any and all records, documents, or other information is subject to the attorney-client privileges recognized under Alaska law or should be maintained as confidential business information in accordance with State law.

Violations. If the permittee fails to comply with AS 27.19, 11 AAC 97, or to comply with the provisions of the Reclamation Plan Approval, and the failure continues after

service of written notice and an opportunity to be heard, the director will, in his or her discretion, pursue actions under AS 27.19, 11 AAC 97, and other applicable state law.

Adverse Impact. FGMI shall take all necessary means to minimize any adverse impacts to the receiving waters or lands resulting from noncompliance with any limitation specified in this Reclamation Plan Approval, including any additional monitoring needed to determine the nature and impact of the noncomplying activity. FGMI shall cleanup and restore all areas adversely impacted by the noncompliance.

Permittee Responsibility for Actions of Contractors. FGMI is responsible for the actions of contractors, agents, or other persons who perform work to accomplish the approved project, and shall ensure that workers are familiar with the requirements of this authorization.

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 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 FGMI, and must provide to ADNR all proofs of insurance, bonds, or undertakings required by this plan approval; this includes the requirements to complete the reclamation and closure of the site per the terms of the Reclamation Plan Approval, unless otherwise approved by ADNR. The new miner is liable for the full costs of reclamation to the standards of AS27.19, 11 AAC.97, and the approved reclamation plan, regardless of the amount of the reclamation bond. 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 FGMI to obtain and comply with authorizations required by other agencies including, but not limited to, Alaska Department of Environmental Conservation, Alaska Department of Natural Resources – Division of Mining, Land and Water – Land and Water Sections, and Alaska Department of Fish & Game.

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.

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

Modifications. Any request for modification of the True North Gold Mine Reclamation and Closure Plan and any affected permits or authorizations must be

made by written application to ADNR and may require the updating of related Supporting Documents. Requests for modification must be made no later than 30 days before the planned effective date of the modification. Modification to the True North Gold Mine Reclamation and Closure Plan may, at the discretion of ADNR, require review and update of the financial assurance provided to ensure reclamation.

Application for Renewal. Applications for renewal of this Reclamation Approval must be made no later than 30 days before the expiration date of the Reclamation Plan Approval. Unless otherwise approved by ADNR, the periodic five-year renewal of the True North Gold Mine Reclamation and Closure Plan will require the submission of the following updated Supporting Documents or the information must be incorporated into the body of the revised Reclamation and Closure Plan:

- True North Mine Monitoring Plan (May 2012); and,
- True North Closure Cost Estimate SRCE_Version_1_4_1_014.xlsm

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 FGMI or ADNR as against the other.

Save Harmless. The recipient of this Reclamation Plan Approval (permittee) shall indemnify, save harmless, and defend the Department, its agents and its employees from any and all claims, actions or liabilities for injuries or damages sustained by any person or property arising directly or indirectly from permitted activities or FGMI's performance under this Reclamation Plan Approval. However, this provision has no effect, if, and only if, the sole proximate cause of the injury is the Department's negligence.

Commencement of permitted activities will be considered an acceptance by Fairbanks Gold Mining Inc. of these stipulations.

Approved: Scott Pexton
Scott Pexton, Mining Section Chief
Department of Natural Resources

7-26-12
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 days of the date of issuance and may be mailed or delivered to Daniel S. Sullivan, 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. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the Department on the 31st day after the date of 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.