

## *Avalon Development Corp.*

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Fax: 907-455-8069  
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July 10, 2006

VIA EMAIL

Mr. Tom Crafford  
Alaska Dept. of Natural Resources  
550 West Seventh Ave., Suite 900D  
Anchorage, AK 99501  
[tom\\_crafford@dnr.state.ak.us](mailto:tom_crafford@dnr.state.ak.us)

Ms. Sharon Seim  
U.S. Army Corps of Engineers  
3437 Airport Way, Suite 206  
Fairbanks, AK 99709  
[Sharon.G.Seim@poa02.usace.army.mil](mailto:Sharon.G.Seim@poa02.usace.army.mil)

Mr. Luke Boles  
Alaska Dept. of Environmental Conservation  
610 University Ave.  
Fairbanks, AK 99709  
[luke\\_boles@dec.state.ak.us](mailto:luke_boles@dec.state.ak.us)

Mr. William Ashton  
Alaska Dept. of Environmental Conservation  
555 Cordova St.  
Anchorage, AK 99501  
[william\\_ashton@dec.state.ak.us](mailto:william_ashton@dec.state.ak.us)

Dear Madam and Sirs:

I have reviewed the pertinent public documents pertaining to Fairbanks Fold Mining Inc.'s (FGMI) proposed Walter Creek valley-fill heap leach gold recovery proposal and wanted to provide the following comments as part of the public record for this project.

1. I am President of Avalon Development Corp., a Fairbanks-based geological consulting

- firm with over 20-years of experience in Alaska.
2. Through clients of Avalon and through my own personal experience with FGMI and its parent company, Kinross Gold Corporation, I have come to regard FGMI as one of the most socially and environmentally responsible mining firms in the mining industry.
  3. FGMI's proposal to treat in excess of 160 million tons of mineralized rock in upper Walter Creek has a series of natural and man-made advantages that allow for extraction of gold that currently is unrecoverable and which would otherwise be left as waste material at the end of the FGMI's Fort Knox milling operations.
  4. In addition, the location chosen by FGMI for the valley-fill provides social and environmental safeguards that go well beyond those normally found at heap leach operations around the globe.
  5. One of the main advantages of the Walter Creek site is its location upstream of the existing zero-discharge tailings impoundment at the Fort Knox mine. Point and non-point source drainage from construction activities, planned discharge or unplanned leakage from the proposed valley fill heap leach facility and the 100 year/24 hour storm event can all be kept within the confines of the already permitted and operating Fort Knox tailing impoundment.
  6. The proposed Leachate Collection and Recovery System (LCRS) and the double liner system proposed beneath it will provide a series of redundant fluid recovery and leak monitoring systems that not only maximize recovery of gold-bearing leachate but provide full time monitoring of unplanned leakage from the system. Such a system reduces the number of potential leakage points within the system over conventional heap leach facilities with barren and pregnant solution holding ponds that are exposed to the open air.
  7. The valley fill system proposed at Walter Creek also removes cyanide-bearing pregnant solution from the open air environment, thereby drastically reducing the potential for exposure of barren and pregnant solutions to fish, wildlife and humans and their respective habitats.
  8. Seismic analyses of the proposed site indicate that the heap leach facility will meet or exceed the regulatory requirements for seismic stability in this part of Alaska. This is a critical consideration given the size and content of the proposed heap leach facility and the seismic activity common in this part of Alaska.

In summary, I support FGMI's efforts to conduct more efficient extraction of gold from their Fort Knox deposit and urge you to timely approve its applications following the appropriate public and regulatory review process. Thank you for providing the opportunity for me to provide these comments.

Sincerely,  
AVALON DEVELOPMENT CORP.

A handwritten signature in black ink, appearing to read "CJ Freeman", written in a cursive style.

Curtis J. Freeman  
President

CJF:na

Filename: FtKnox-Heap\_Leach1.DOC



# ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • [www.alaskaminers.org](http://www.alaskaminers.org)

July 29, 2006

Mr. Tom Crafford  
Department of Natural Resources  
550 W. 7<sup>th</sup> Avenue, Suite 900D  
Anchorage, AK 99501

FAX 907-269-8629

Ms. Sharon Seim  
Army Corps of Engineers, Alaska District  
3437 Airport Way, Suite 206  
Fairbanks, AK 99709

FAX 907-474-2164

Mr. Luke Boles  
Department of Environmental Conservation  
610 University Avenue  
Fairbanks, AK 99709

FAX 907-451-2187

Mr. William Ashton  
Department of Environmental Conservation  
555 Cordova Street  
Anchorage, AK 99501

FAX 907-269-7564

RE: Proposed Heap Leach at Fort Knox

Dear Sirs,

Thank you for the opportunity to comment on the plan to use heap leach technology at the Fort Knox Mine. The Alaska Miners Association is a non-profit membership organization established in 1939 to represent the mining industry. The AMA is composed of more than 1000 individual prospectors, geologists and engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. Our members look for and produce gold, silver, platinum, diamonds, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, armor rock, etc. Our members live and work throughout the state and many have experience in Alaska and outside Alaska utilizing heap leach technology.

The AMA supports the plan to heap leach ores at the Fort Knox Mine. The plan being proposed at Fort Knox is sound. Indeed, we cannot imagine a better location for a heap leach operation. The design for the sub-base, ground preparation, liners, slope stability, monitoring system, etc. are sound and incorporate multiple levels of safety factors that will ensure effective management of process solutions and the integrity of the heap. The State of Alaska has experience and a sound history of permitting and overseeing heap leach operations, including successful reclamation, closure and bond release for such facilities.

Additionally, the location of the heap and all associated piping is above the existing tailings impoundment. If, in the extremely rare possibility there would be a solution spill, heap impoundment failure or any other conceivable problem, the dilute cyanide solution would flow into the existing tailings impoundment. This tailings impoundment is an engineered facility with its own multiple design safety factors. One of these factors is that the tailings impoundment is upstream from the mine fresh water reservoir. If some problem were to occur at the tailings impoundment, any sediment or water would be trapped by the fresh water reservoir. The result is that the heap leach has multiple sets of redundant safety factors to protect the environment.

From a community standpoint, Fort Knox is important for every resident. The mere fact that Fort Knox is on the Fairbanks area electrical grid results in a cost decrease for every other commercial and residential electrical customer. The mine is also the second largest private employer in the Fairbanks North Star Borough and one of the largest tax payers.

Permitting of this project should be a straightforward and simple matter, in colloquial terms, "no brainer." We urge that this project be permitted in the most expeditious manner possible that will result in a legally defensible permit document.

Sincerely,

A handwritten signature in black ink, appearing to read "S. C. Borell". The signature is fluid and cursive, with the first name "S" being particularly large and stylized.

Steven C. Borell, P.E.  
Executive Director



July 17, 2006

Mr. Tom Crafford  
Alaska Department of Natural Resources  
550 West 7<sup>th</sup> Avenue, Ste 900D  
Anchorage, AK 99501  
Fax: 907-269-8629  
Email: tom\_crafford@dnr.state.ak.us

8241 Dimond Hook Drive #A  
Anchorage, AK 99507  
Telephone 907 349 1424  
Fax 907 344 6780

Ms. Sharon Seim  
US Army Corps of Engineers, Alaska District  
3437 Airport Way, Suite 206  
Fairbanks, AK 99709  
Fax: 907-474-2164  
Email: Sharon.G.Seim@poa02.usace.amry.mil

**RECEIVED**

**JUL 20 2006**

Mr. Luke Boles  
Alaska Department of Environmental Conservation  
610 University Avenue  
Fairbanks, AK 99709  
Fax: 907-451-2187  
Email: luke\_boles@dec.state.ak.us

Mr. William Ashton  
Alaska Department of Environmental Conservation  
555 Cordova Street  
Anchorage, AK 99501  
Fax: 907-269-7564  
Email: William\_ashton@dec.state.ak.us

Dear Madam and Sirs:

The Fort Knox Gold Mine in Fairbanks, Alaska is one of my company's customers. We are contacting you to let you know that we support the Fort Knox Heap Leach Project and to request that the regulatory agencies involved complete the permitting process for the project as soon as possible.

Fort Knox is an important customer to us and the loss of their business would hurt our company. Therefore, we are keenly interested in seeing the Heap Leach Project start up as soon as possible. The potential for a longer mine life can help not only our business, but the Fairbanks and Alaskan economies for years to come.

We provide explosive products, technical support and also accessories to Fort Knox. Alaska Pacific Powder is an Alaska company, having been established 30 years ago and is the leading explosives company in Alaska. Our Fairbanks facility is home to 18 employees that depend on the business with Fort Knox for their livelihood.

The continued operation of the Fort Knox Mine is obviously essential to the regional economy. The additional point we wish to make as an Alaskan company that does business with Fort Knox is that this project is important to companies and the economy throughout Alaska.

With these economic factors in mind, and the fact that this is an environmentally responsible project, we wish to emphasize the importance of issuing the permits for the Fort Knox Heap Leach Project as soon as possible.

Sincerely yours,

A handwritten signature in black ink, appearing to read "LG. Lewis".

LG. Lewis  
Vice President/COO

glewis@akpac.com

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JUL 20 2006



Headquarters:  
P.O. Box 70407, 1607 Well St.  
Fairbanks, Alaska 99707-0407  
(907) 456-4414  
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1-800-770-4414  
*bvz@jackovich.com*

1716 Post Road  
Anchorage, Alaska 99501  
(907) 277-1406  
FAX: (907) 258-1700  
1-800-478-1406

**INDUSTRIAL & CONSTRUCTION SUPPLY, INC.**

Mr. Tom Crafford  
Alaska Department of Natural Resources  
550 west 7<sup>th</sup> Avenue, Ste 900D  
Anchorage, AK 99501  
Fax: 907-269-8629  
Email: [tom\\_crafford@dnr.state.ak.us](mailto:tom_crafford@dnr.state.ak.us)

July 18, 2006

RECEIVED

JUL 20 2006

Dear Madam and Sirs:

The Fort Knox Gold Mine in Fairbanks, Alaska is one of my company's customers. We are contacting you to let you know that we support the Fort Knox Heap Leach Project and to request that the regulatory agencies involved complete the permitting process for the project as soon as possible.

Fort Knox is an important customer to us and the loss of their business would hurt our company. Therefore, we are keenly interested in seeing the Heap Leach Project start up as soon as possible. The potential for a longer mine life can help not only our business, but the Fairbanks and Alaskan economies for years to come.

We provide them with Valves, Piping, Diesel Nozzles & Caps, Air motors, Chassis pumps, Pipe Connectors, Cables, and Bare Oil Pumps. We supply a wide variety of Industrial and construction supplies. We are located in the Alaska Railroad Industrial area in Fairbanks and 2 locations in Anchorage. We have 30 employees' with in the three locations.

The continued operation of the Fort Knox Mine is obviously essential to the regional economy. The additional point we wish to make as an Alaskan company that does business with Fort Knox is that this project is important to companies and the economy throughout Alaska.

With these economic factors in mind, and the fact that this is an environmentally responsible project, we wish to emphasize the importance of issuing the permits for the Fort Knox Heap Leach Project as soon as possible.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Melo V. Jackovich'.

Melo V. Jackovich,  
President

**ACTIVE AS ALASKA**



RECEIVED  
JUL 24 2006

July 19, 2006

RECEIVED

Mr. Tom Crafford  
Alaska Department of Natural Resources  
550 West 7<sup>th</sup> Avenue, Suite 900D  
Anchorage, AK 99501  
Fax: 907-269-8629  
Email: tom\_crafford@dnr.state.ak.us

Dear Mr. Crafford:

The Fort Knox Gold Mine in Fairbanks, Alaska is one of Construction Machinery Industrial, LLC (CMI) largest customers. In fact Fort Knox is our largest customer for the Fairbanks Branch and 2<sup>nd</sup> largest company wide.

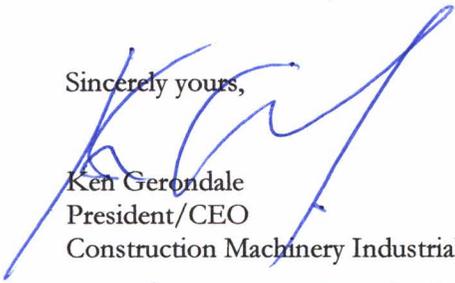
We are contacting you to let you know that we support the Fort Knox Heap Leach Project and to request that the regulatory agencies involved complete the permitting process for the project as soon as possible. The loss of Fort Knox as a customer would be a huge loss to CMI, LLC. Therefore, we are sincerely interested in seeing the Heap Leach Project start up as soon as possible. The potential for a longer mine life can help not only our business, but the Fairbanks and Alaskan economies for years to come.

CMI provides Hitachi mining shovels, Volvo construction equipment and Atlas Copco Drills to Fairbanks Gold Mine. CMI opened its doors in Fairbanks the same year Fort Knox opened the mine. CMI is a statewide company with locations in Anchorage, Wasilla, Fairbanks, Juneau and Ketchikan, employing over 100 Alaskans. We have enjoyed the excellent business relationship with Fort Knox as they have supported us for many years.

With these economic factors in mind, and the fact that this is an environmentally responsible project, we wish to emphasize the importance of issuing the permits for the Fort Knox Heap Leach Project as soon as possible.

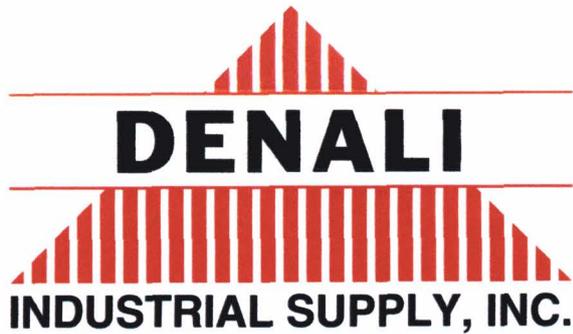
We are available for any additional information that would help the process.

Sincerely yours,

  
Ken Gerondale  
President/CEO  
Construction Machinery Industrial, LLC

[k.gerondale@cmiak.com](mailto:k.gerondale@cmiak.com)

<p>* ANCHORAGE 5400 Homer Drive Anchorage, AK 99518 Ph: (907) 563-3822 Fx: (907) 563-1381 Toll-Free: (800) 478-3822</p>	<p>FAIRBANKS 2615 20<sup>th</sup> Avenue Fairbanks, AK 99709 Ph: (907) 455-9600 Fx: (907) 455-9700</p>	<p>JUNEAU 2275 Brandy Lane Juneau, AK 99801 Ph: (907) 780-4030 Fx: (907) 780-4800</p>	<p>KETCHIKAN P.O. Box 1434 Ward Cove, AK 99928 Ph: (907) 247-2228 Fx: (907) 247-2229</p>	<p>WASILLA 3700 Palmer Wasilla Hwy Wasilla, AK 99654 Ph: (907) 376-7991 Fx: (907) 376-7971</p>
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2800 South Cushman Street • Fairbanks Alaska 99701  
(907) 452-4524 • FAX (907) 452-4577

**RECEIVED**  
JUL 24 2006

July 20, 2006

Mr. Tom Crafford  
Alaska Department of Natural Resources  
550 West 7th Avenue, Ste 900D  
Anchorage, AK 99501

Dear Mr. Crafford:

The Fort Knox Gold Mine in Fairbanks, Alaska is one of my company's customers. We are contacting you to let you know that we support the Fort Knox Heap Leach Project and to request that the regulatory agencies involved complete the permitting process for the project as soon as possible

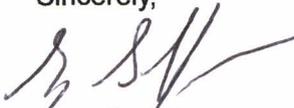
Fort Knox is an important customer to us and the loss of their business would hurt our company. Therefore, we are keenly interested in seeing the Heap Leach Project start up as soon as possible. The potential for a longer mine life can help not only our business, but the Fairbanks and Alaskan economies for years to come.

We have been in business for 20 years in Fairbanks and have about 20 employees. We sell fasteners, tools and industrial supplies and the mining industry provides a substantial percentage of our business.

The continued operation of the Fort Knox Mine is obviously essential to the regional economy. The additional point we wish to make as an Alaskan company that does business with Fort Knox is that this project is important to companies and the economy throughout Alaska.

With these economic factors in mind, and the fact that this is an environmentally responsible project, we wish to emphasize the importance of issuing the permits for the Fort Knox Heap Leach Project as soon as possible.

Sincerely,



Gary Swoffer

President

---



612 30th Avenue  
Fairbanks, AK 99701  
(907) 451-1111 • Fax: 451-4511  
www.hotprinter.com • printer@hotprinter.com  
chuck@hotprintr.com

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7/21/06

JUL 24 2006

Dear Tom,

I am writing you to voice my support for the Fort Knox Heap Leach Project. Please expedite any permitting processes for this project as this will greatly affect the long term health of our business and our local economy.

Fairbanks Gold has been a valuable customer of ours since 1997 and we have watched them grow responsibly since then. They are truly a community minded and environmentally responsible business which supports our local economy as well as our community.

Advance Printing is pleased to provide them with various custom printed forms, letterheads, envelopes, continuous forms, timecards, tags and other printed goods. Their support of local businesses has helped us to provide employment for the many Alaskan workers that we employ.

They are an asset to our community as well as our business and many others. By allowing this project to proceed, the useful life of the mine will be extended which will have great long term benefits to those of us who work and live in Alaska.

Whatever you can do to ensure the issuing of these permits in a timely manner will be greatly appreciated.

Sincerely,

A handwritten signature in blue ink that reads "Charles A. Lincoln".

Charles A. Lincoln  
Vice President

*From Design, to Print, to Bulk Mailing,  
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Hector's Welding, Inc.

2473 Old Richardson Hwy.

North Pole, AK 99705

Ph 907-488-6432

Fx 907-488-8385

hectors@acsalaska.net

Tom Crawford/ DNR  
Sharon Seim/ USACE  
Luke Boles/ ADEC  
William Ashton/ADEC

7/31/06

Re: Ft Knox Gold Mine

Lady and Gentlemen:

The Fort Knox Gold Mine in Fairbanks, AK is one of our many company customers. We are contacting you to state our support of their recent heap leach permit application.

Though mining in general no longer is a major contributor to our business, it is still an important part. The size of the mine contributes a good deal to the local economy, and the potential of extending the longevity of the mine would further contribute to the local and state economy.

With these economic factors in mind, and if you have found the proposed project to be environmentally responsible, we urge you to push forward with issuing the required permit(s) in a timely manner.

Regards,

Ken Therriault  
VP/GM

# D&D TIRE INC.

RECEIVED

AUG 04 2006

July 31, 2006

Dear Madam and Sirs:

The Fort Knox Gold Mine in Fairbanks, Alaska is one of my company's customers. We are contacting you to let you know that we support the Fort Knox Heap Leach Project and to request that the regulatory agencies involved complete the permitting process for the project as soon as possible.

Fort Knox is an important customer to us and the loss of their business would hurt our company. Therefore, we are keenly interested in seeing the Heap Leach Project start up as soon as possible. The potential for a longer mine life can help not only our business but the Fairbanks and Alaskan economies for years to come.

D&D Tire, Inc. has operations throughout Alaska: Juneau, Nome, Delta, Fairbanks and Prudhoe Bay. In total, D&D Tire, Inc. employees ~165 individuals, Alaska is our second largest area of sales and service.

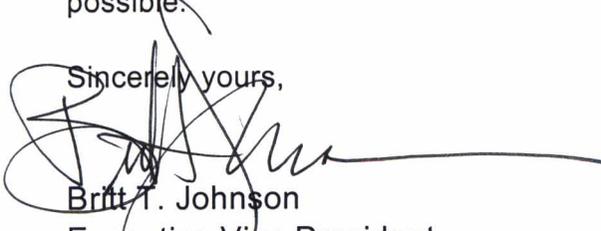
We specialize in tires that are used off road and underground. These tires are highly specialized and require highly trained professionals to service them. We provide Safety and Awareness Seminars, Certification and Evaluation Programs, scientific evaluations and measurements to the industries that utilize and work around the most highly engineered pressure vessels (tires) made in the world.

Insuring our employees have the highest level of training and widest diversity of experience possible is monumental task in itself and having a great company like that of Kinross at Fort Knox will assure the existence for all of us.

The continued operation of the Fort Knox Mine is obviously essential to the regional economy. The additional point we wish to make as an Alaskan company that does business with Fort Knox is that this project is important to companies and the economy throughout Alaska.

With these economic factors in mind and the fact that this is an environmentally responsible project, we wish to emphasize the importance of issuing the permits for the Fort Knox Heap Leach Project as soon as possible.

Sincerely yours,



Britt T. Johnson  
Executive Vice President  
D&D Tire, Inc. / ETMS "Where Tires Win the Race"

*"Providing uncompromising **VALUE** in products, services and information which will enrich our customers"*

1505 E. NEWLANDS DR. – FERNLEY, NV 89408  
775-575-3321 or 1-800-873-2353 for ALL LOCATIONS  
[www.ddtire.com](http://www.ddtire.com)

*Britt.Johnson@ddtire.com*



## **USIBELLI COAL MINE, INC.**

---

100 Cushman St. – Suite 210 • Fairbanks, Alaska 99701

Telephone (907) 452-2625 • Facsimile (907) 451-6543

31 July 2006

Mr. Tom Crafford  
Alaska Department of Natural Resources  
Email: tom\_crafford@dnr.state.ak.us

Ms. Sharon Seim  
US Army Corps of Engineers, Alaska District  
Email: Sharon.G.Seim@poa02.usace.army.mil

Mr. Luke Boles  
Alaska Department of Environmental Conservation  
Email: luke\_boles@dec.state.ak.us

Mr. William Ashton  
Alaska Department of Environmental Conservation  
Email: William\_ashton@dec.state.ak.us

### **Subject: Proposed Heap Leach Facility at Fort Knox**

Dear Madame and Sirs,

Thank you for the opportunity to comment on the plan to use heap leach technology at the Fort Knox Mine near Fairbanks. Usibelli Coal Mine Incorporated (UCM) mines several properties near Healy Alaska on permitted areas inside state coal leases. UCM has mined in this region for over 63 years, and has won various reclamation and safety awards

UCM supports the plan to heap leach ores at the Fort Knox Mine. The facility being proposed at Fort Knox is extremely well planned and solid. Additionally, the location is ideally suited for a heap leach operation.

The design for the sub-base, ground preparation, liners, slope stability, monitoring system, etcetera, incorporate numerous levels of safety that will ensure effective management of process solutions and the integrity of the heap itself.

The State of Alaska has experience and a respectable history of permitting and overseeing this type of gold recovery facility operation.

From a community standpoint, Fort Knox is important for every resident. The mere fact that Fort Knox is on the Fairbanks area electrical grid results in a cost decrease for every other commercial and residential electrical customer. The mine is also the second largest private employer in the Fairbanks North Star Borough and one of the largest tax payers.

We urge you to approve this heap leach project in the most expeditious manner possible, that will result in a legally and defensible permit decision. With best regards, I remain,

Sincerely,



Charles P. Boddy  
VP Governmental Relations  
Usibelli Coal Mine, Inc.

Date 7/18/06

Mr. Tom Crafford  
Alaska Department of Natural Resources  
550 West 7<sup>th</sup> Avenue, Ste 900D  
Anchorage, AK 99501  
Fax: 907-269-8629  
Email: tom\_crafford@dnr.state.ak.us

This is one example of 121 signed letters received from FGMI employees in support of this project.

Ms. Sharon Seim  
US Army Corps of Engineers, Alaska District  
3437 Airport Way, Suite 206  
Fairbanks, AK 99709  
Fax: 907-474-2164  
Email: Sharon.G.Seim@poa02.usace.amry.mil

Mr. Luke Boles  
Alaska Department of Environmental Conservation  
610 University Avenue  
Fairbanks, AK 99709  
Fax: 907-451-2187  
Email: luke\_boles@dec.state.ak.us

Mr. William Ashton  
Alaska Department of Environmental Conservation  
555 Cordova Street  
Anchorage, AK 99501  
Fax: 907-269-7564  
Email: William\_ashton@dec.state.ak.us

Dear Madam and Sirs:

I am writing in support of the application submitted by Fairbanks Gold Mining, Inc. (FGMI) to add a heap leach gold recovery facility to the Fort Knox mining operation.

As a mine employee, I am very proud of FGMI's stellar record of environmental compliance and safety record. In fact, just last month we reached 1 million man-hours worked without a lost time accident. This is the fourth time we've achieved that milestone. I am confident the heap leach will be operated in the same safe and environmentally sound manner.

The addition of a heap leach facility may allow operation of the Fort Knox mine to extend beyond the current projected mine life. FGMI provides significant economic benefits to the community and delivers a major source of revenue to the Fairbanks North Star Borough through property taxes. Allowing the mine to add a heap leach allows FGMI to succeed as well as the employees, the local community, and the State of Alaska.

FGMI is an outstanding community neighbor. I urge you to approve the permit modifications necessary for FGMI to build and operate a heap leach facility at the Fort Knox mine.

Sincerely, 

Name Brad Morris

Address 1710 JONES RD  
FBKS, AK. 99709

# FAIRBANKS GOLD MINING, INC.

A subsidiary of  
**KINROSS GOLD CORP.**

July 31, 2006

Tom Crafford  
Alaska Department of Natural Resources  
Office of Project Management & Permitting  
550 West Seventh Ave., Suite 900D  
Anchorage, AK 99501  
Telephone: (907) 269-8629  
Fax: (907) 269-8930  
Email: tom\_crafford@dnr.state.ak.us

**VIA EMAIL**

Luke Boles  
Alaska Department of Environmental Conservation  
610 University Avenue  
Fairbanks, AK 99709-3643  
Telephone: (907) 451-2142  
Fax: (907) 451-2187  
Email: luke\_boles@dec.state.ak.us

**VIA EMAIL**

Gentlemen:

Fairbanks Gold Mining, Inc. (hereinafter "FGMI") is filing these comments in response to the "[Draft] Addendum to Amended and Restated Millsite Lease" (hereinafter "Draft Addendum") proposed by the State of Alaska Department of Natural Resources Division of Mining, Land and Water ("DNR"), the Draft Plan of Operations Amendment Approval issued by DNR, and the draft Waste Management Permit 2006-DB0043, Fort Knox Mine" issued by State of Alaska Department of Environmental Conservation, Division of Water Wastewater Discharge Program ("DEC") on June 29, 2006.

## **COMMENTS ON THE** **"DRAFT ADDENDUM TO AMENDED AND RESTATED MILLSITE LEASE"**

DNR's Draft Addendum proposes to amend FGMI's Amended and Restated Millsite Lease ("Millsite Lease" or "Lease") to insert references to heap leaching in the definitions of "Facility," "Facilities," and "Millsite Operations;" to change the termination provision of the Lease to reference an updated waste permit; to have an engineer certify that the heap leach was constructed in accordance with the plans that FGMI submitted to DNR; and to change several other provisions not impacted by FGMI's heap leach project.

P.O Box 73726, #1 Fort Knox Road, Fairbanks, Alaska 99707-3726 USA  
Telephone: (907) 488-4653 Fax: (907) 490-2290

It is, however, unnecessary to amend the Millsite Lease for this project. As described in greater detail below:

- the Millsite Lease's current language was drafted broadly enough to encompass the proposed heap leach facility,
- one proposed modification has already been made in a separate amendment, and
- the remaining provisions also are covered by existing provisions of the Lease.

### **Modifications to the Millsite Lease Generally**

Modifications to the Millsite Lease are addressed in Section 22 of the Lease. Section 22(a) specifically addresses FGMI requests for modification of the Millsite Lease and provides:

Any request by FGMI for modification of this Lease must be made by written application to the Division and the TLO. The application must contain a detailed description, justification, maps, plats, and cross-sections as necessary, and copies of concurrent applications for update, revisions, amendment or supplementation of the Plan of Operations, Reclamation Plan, and any other affected permits or authorizations. The Division and the TLO may request further information and data based on the individual modification requested. For any major or significant modification to this Lease, including but not limited to an increase in Millsite Area acreage, a decrease in Millsite Area acreage greater than forty (40) acres cumulative, or any change in use, the Division or the TLO . . . may give public notice, solicit public comment, and hold public hearings.

Section 22(b) addresses another method of Lease modification<sup>1</sup> and provides:

Any revisions, changes, or updates to other permits or authorizations issued by federal, state, or local governments that affect the Millsite Area are automatically incorporated into the responsibilities, requirements, and obligations of this Lease unless otherwise provided in writing by the Division and the TLO.

DNR has indicated its belief that the "the addition of a heap leach operation at the Ft. Knox Mine constitutes a 'change in use' within the meaning of Section 22(a) of the Amended and Restated Millsite Lease, requiring a modification of said Lease."<sup>2</sup> As FGMI has not requested modification of Millsite Lease as part of the heap leach project, and many of the proposed provisions of the Draft Addendum are already incorporated pursuant to Section 22(b), the Draft Addendum is inappropriate and unnecessary. Moreover, use of a heap leach facility to process gold-bearing ores does not constitute a "change in use" under the Millsite Lease or as the term is used by DNR in other contexts.<sup>3</sup>

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<sup>1</sup> Obviously, the parties can always agree to amend the terms of the Millsite Lease.

<sup>2</sup> See <http://www.dnr.state.ak.us/mlw/mining/largemine/fortknox/index.htm>.

<sup>3</sup> 11 AAC 63.110(4)(B).

The Millsite Lease authorizes FGMI to use the Millsite Area “to conduct Millsite Operations on, for, respecting, or in connection with gold-bearing ores[.]”<sup>4</sup> As it currently exists, “Millsite Operations” include:

those activities that are conducted in or on the Millsite Area . . . that are normally and reasonably associated with a millsite, including but not limited to . . . : (i) . . . processing . . . vat leaching, treating, . . . removing . . . or otherwise disposing of . . . (A) gold bearing ores . . . [and] (ii) placing, constructing, erecting, installing, maintaining, repairing, using, replacing and removing . . . other Facilities at locations . . . on or below the surface of the Millsite Area, as may be reasonably necessary or desirable for the purpose of engaging in the activities described in Section 2.i.i. [sic] above.<sup>5</sup>

Heap leaching is a common mining activity that is “normally and reasonably associated with a millsite” and has been approved at other millsites in Alaska. Indeed, heap leach operations are specifically referenced in DNR’s mining regulations.<sup>6</sup>

Under the Millsite Lease, the contemplated “use” of the Millsite Area is for the processing, treatment, removal or other disposal of gold bearing ores. FGMI will still be using the Millsite Area to extract, process and treat gold bearing ores – the heap leach facility is just another method for doing so. Thus, while DNR’s addition of the “heap leach” language may clarify the Lease, it does not constitute a change in use or otherwise necessitate an amendment to the Millsite Lease.

## **Section 2: Definitions**

As discussed in the preceding section, the current definition of “Millsite Operations” already encompasses FGMI’s proposed heap leach facility. Likewise, the current definitions of “Facility” and “Facilities” will cover the heap leach addition, as the definition already includes “any and all structures, excavations, or improvements constructed or in the process of being constructed in or on the Millsite Area . . . .”<sup>7</sup> The proposed heap leach facility falls under this definition as it is a structure to be constructed on the Millsite Area.

Review of DNR’s statutes confirms this interpretation of the Millsite Lease. Alaska Statute 27.19.100(5) defines “mining operation” to include not only all “activit[ies] in connection with the . . . processing of” gold, but also all uses “reasonably incident” to the processing of gold and the construction of “support facilities:”

“mining operation” (A) means each function, work, facility, and activity in connection with the development, extraction, and processing of (i) a locatable or leasable mineral

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<sup>4</sup> Millsite Lease Section 3(a).

<sup>5</sup> Millsite Lease Section 2(g).

<sup>6</sup> See 11 AAC 97.230.

<sup>7</sup> See Lease Section 2(d).

deposit except oil, gas, or coal; (ii) other materials or of a sand and gravel deposit; and (iii) each use reasonably incident to the development, extraction, and processing of a locatable or leasable mineral deposit or materials; (B) includes the construction of facilities, roads, transmission lines, pipelines, and other support facilities[.]

These definitions, both in the Lease and in DNR's statutes and regulations, encompass the activities and infrastructure associated with the construction and operation of a heap leach facility. As such, no modification to the Lease language is necessary in Section 2. Moreover, the Draft Addendum does not indicate where within the subsections the words are to be inserted. Depending on where such language is inserted, FGMI may have additional comments.

#### **Section 4: Term**

DNR proposes to amend Section 4(d) of the Lease to include a reference to the updated Waste Management Permit. As discussed above, Section 22(b) of the Millsite Lease automatically incorporates "[a]ny revisions, changes, or updates to other permits . . . that affect the Millsite Area." FGMI requested the incorporation of Solid Waste Permit 0031-BA008 into its new Waste Management Permit, 2006-DB0043.<sup>8</sup> The new Waste Management Permit (2006-DB0043), whether identified as an incorporation of the previous permit or as an updated permit affecting the Millsite Area, is "automatically" incorporated into the current Lease using the language in Section 22(b). Therefore, the proposed change to Section 4(d) is unnecessary.

#### **Section 5: Use Charge**

The Draft Addendum proposes to amend Section 5(c)<sup>9</sup> to update the TLO's mailing address for payments. The Millsite Lease, however, need not be formally amended to accomplish this goal. Section 5(c) already provides that both the TLO's and DNR's addresses can be changed on "sixty (60) days notice to FGMI[.]" This proposed amendment, which is unrelated to the heap leach project, is unnecessary because the address can be changed using the current Lease provisions.

#### **Section 9: Commencement of Millsite Operations**

The Draft Addendum proposes to amend Section 9(f) to ensure engineer certification of the heap leach facility construction plans submitted to the Division. This Lease amendment is unnecessary because DNR's Draft Plan of Operations Amendment Approval independently requires an engineer's certification that the facility was constructed in accordance with the plans submitted to DNR for review.<sup>10</sup>

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<sup>8</sup> See the Waste Management Permit Application (<http://www.dnr.state.ak.us/mlw/mining/largemine/fortknox/pdf/decap.pdf>).

<sup>9</sup> The Draft Addendum mentions (a)(iv)(c) but no such subsection exists in Section 5.

<sup>10</sup> See page 5 of DNR's Draft Plan of Operations Amendment Approval (<http://www.dnr.state.ak.us/mlw/mining/largemine/fortknox/pdf/dnrpoo.pdf>).

Specifically, DNR's Draft Plan of Operations Amendment Approval contains a provision requiring FGMI to acquire a Certificate of Approval to Construct a Dam. Certificates of Approval for dam construction are covered by 11 AAC 93.171, and subsection (f)(3) of that regulation obligates FGMI to file an engineer design report by qualified engineer and "a plan to control the quality of the construction work and to assure its compliance with the drawings and specifications." As the Alaska Administrative Code already requires qualified engineer approval of the heap leach facility construction and operation as outlined in DNR's Draft Plan of Operations Amendment Approval, the proposed amendment to Section 9(f) of the Lease is unnecessary.

### **Section 11: Inspection and Entry by the Division and the TLO**

The Draft Addendum suggests amending Section 11(b) to move the FGMI/Division and TLO annual meeting time from the third (3<sup>rd</sup>) calendar quarter to the first (1<sup>st</sup>) calendar quarter. This change is unrelated to the heap leach project, and, in any event, the Millsite Lease has already been amended to implement this change. In fact, FGMI, the Division, the TLO and the DEC have been holding the annual meeting during the first calendar quarter since 2002. Confirmation of this Lease amendment was provided by the DNR in its letter from Edmund Fogels of the ADNR to William Jeffries, FGMI Environmental Services Manager, dated January 17, 2003. Further, the annual meeting has always been open to the public and invitations have regularly been sent to any party that has previously expressed interest in the Fort Knox Mine operations. As the suggested change has already been memorialized, it need not be repeated in an Addendum.

### **Section 12: Environmental Audit**

Another change unrelated to the heap leach project is that the Draft Addendum (1) gives the agencies final contractor selection if an agreement cannot be reached with FGMI; (2) gives the agencies final control over the scope of subsequent environmental audits if an agreement cannot be reached with FGMI; and (3) adds DEC as a new agency, in addition to the Division and the TLO, with which FGMI must now negotiate for contractor selection and audit scope. Currently, the Lease provides for mutual selection of the third-party contractor and mutual agreement regarding the scope of environmental audits. Giving the agencies final authority provides FGMI no assurance that its comments and concerns will be reasonably considered, which is markedly different from the mutual agreement that was established in the Millsite Lease. Additionally, the DEC has been involved with the operations at the Fort Knox Mill through the annual meeting and the permitting process. The revisions proposed in the Draft Addendum are unnecessary since FGMI and the agencies have always been able to successfully negotiate contractor selection and scope issues.

## **Section 26: Notice**

The Draft Addendum suggests amendment of the Millsite Lease is necessary to update the TLO's mailing address. Under the current Lease terms, the TLO can give notice of its change of address simply by providing notice of the change in accordance with Section 26(a). That change will be effective upon receipt or the next day if received outside of normal business hours. Amendment of the Millsite Lease to update the TLO's mailing address is unnecessary.

Finally, since no amendment to the Millsite Lease is necessary, there is no need to specify an effective date as set forth in Section 1 of the Draft Addendum.

### **COMMENTS ON** **"DRAFT PLAN OF OPERATIONS AMENDMENT APPROVAL"**

DNR's Draft Plan of Operations Amendment Approval ("Draft Approval") is subject to numerous conditions. FGMI's comments are arranged by the section titles used in the Draft Approval.

#### **GENERAL STIPULATIONS**

##### **Agreement for Funding Post-Reclamation Obligations**

While FGMI welcomes the opportunity to renegotiate the Agreement for Funding Post-Reclamation Obligations, there is no justifiable reason to link the Plan of Operations Approval to the renegotiation of the Agreement, and doing so may ultimately prove unworkable. Implementation of a safe and effective heap leach operation is dependent on numerous factors, including the seasonal environmental changes, but it is not dependent on renegotiating the Agreement for Funding Post-Reclamation Obligations. Making the renegotiation a stipulation of the Plan Approval may mean that any change to the timeline requires the Plan of Operations to be amended. Moreover, given the type of restructuring that DNR is contemplating, the fact that the Department of Fish and Game must be consulted, the need to accommodate the schedules of all of the various parties, and the importance of arriving at consensus on the issues, imposing artificial and unrealistic timelines is likely to hamper the entire process.

#### **GENERAL STIPULATIONS**

##### **Environmental Audit**

In the Draft Approval DNR proposes giving the agencies final contractor selection if an agreement cannot be reached with FGMI; giving the agencies final control over the scope of subsequent environmental audits if mutual agreement is not reached; and adding DEC as a new agency, in addition to the Division and the TLO, with which FGMI must now negotiate for contractor selection and audit scope. These provisions are unnecessary since FGMI and the agencies have always been able to successfully negotiate contractor and scope issues. Moreover,

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giving the agencies final authority provides FGMI no assurance that its comments and concerns will be reasonably considered in what was originally a collaborative process.

## **STANDARD STIPULATIONS**

### **Fuel and Hazardous Substances**

#### **Subsection (c): Storing containers within 100 feet of waterbodies**

Language should be added to this subsection, or perhaps “waterbody” should be defined in subsection (e), to confirm that “waterbody” does not include the tailings storage facility.

## **STANDARD STIPULATIONS**

### **Reservation of Rights**

DNR’s reservation of rights should expressly recognize the following limitations, which are also set forth in FGMI’s Uplands Lease and Millsite Lease:

The rights reserved by DNR shall not be exercised in any manner that unreasonably interferes with the operations under the Uplands or Millsite Leases, and the State shall provide FGMI with prior notice of the State’s intent to exercise any rights and the opportunity to comment on the proposed exercise of these rights. The parties shall work cooperatively to identify potential conflicts, and the State shall require as a condition to the State’s or any other party’s exercise of any reserved rights such stipulations as appear necessary to protect public safety or to prevent unreasonable interference with the rights of FGMI. In addition, FGMI may restrict public access to those areas of the Millsite Area where such restriction is necessary for public safety or to prevent unreasonable interference with Millsite Operations.<sup>11</sup>

## **COMMENTS ON** **“DRAFT WASTE MANAGEMENT PERMIT 2006-DB0043”**

FGMI’s comments on the DEC’s Waste Management Permit 2006-DB0043, Fort Knox Mine” (“Draft Permit”) are arranged by the section numbers used in the Draft Permit.

### **1.1.2:**

The second paragraph contains a typographical error. The last sentence refers to “carbon in-pulp” instead of “carbon columns.”

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<sup>11</sup> Uplands Lease Section 2(b) and Millsite Lease Section 3(b).

**1.2.4 and 1.2.5:**

The current permit requirement for the discharge of tailings and water recycled to tailings is that WAD CN maintain a monthly average of less than 10 ppm. The Draft Permit proposes that the WAD CN discharged be less than 10 ppm for 90% of the samples. Changing from the current system may well require a significant increase in the use of the cyanide detoxification process (INCO process). Using the INCO process more frequently will increase the quantities of copper, sulfates and nitrates discharged to the tailing impoundment, which may compromise FGMI's future ability to achieve compliance standards with the water in the tailing impoundment.

**1.11.3.1:**

The Draft Permit should be clarified so that it is clear the reference to "cover" includes soil, vegetation and water as specified in the Reclamation and Closure Plans.

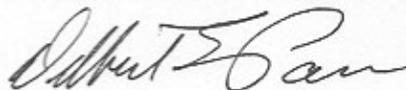
**1.13.1:**

The Draft Permit gives DEC and DNR final contractor selection and scope of audit rights. These provisions are unnecessary since FGMI and the agencies have always been able to successfully negotiate contractor and scope issues. Moreover, giving the agencies final authority provides FGMI no assurance that its comments and concerns will be reasonably considered in what has been a collaborative process. The Draft Permit should remain consistent with the parties' current practice of obtaining mutual agreement on contractor selection and audit scope.

FGMI appreciates the opportunity to comment on the proposed Draft Addendum to the Fort Knox Millsite Lease, the Draft Plan of Operations Amendment Approval, and the Draft Waste Management Permit and welcomes any questions from DNR on its comments. If you have any questions or comments, please contact me at your convenience. I can be reached via email at [Delbert.Parr@kinross.com](mailto:Delbert.Parr@kinross.com) or on my direct line at (907) 490-2207.

Respectfully,

FAIRBANKS GOLD MINING, INC.



Delbert E. Parr  
Environmental Manager

cc: Sharon Seim, COE  
William Ashton, ADEC