

***RECEIVED***

*By Richard Dwyer at 5:34 pm, Mar 31, 2011*

**2011 ABANDONMENT AND RECLAMATION PLAN**

**Appendix G-2**

**Variance Analysis - 2011 versus 2010 Cost Estimate**

Appendix G-2
A&R Plan Variance Analysis - 2011 versus 2010 Cost Estimate

						Cash Contingency (\$)			% Contingency (%)			Key Variances
	2011 Total	2010 Total	2011-2010 Variance (\$)	2011-2010 Variance (%)		2011	2010	2011-2010 Variance	2011	2010	2011-20010 Variance	
Project Site Abandonment	\$ 49,106											
												<b>Cost:</b> - No significant variances. <b>Contingency:</b> - No significant variances.
Bulk Sample Pit	\$ -	\$ -	\$ -	0%	\$ 4,146	\$ 10,000	\$ (5,854)	0%	0%	0%	- No significant variances.	<b>Cost:</b> - No significant variances. <b>Contingency:</b> - No significant variances.
Mineral Exploration Areas (Deposits No. 1, 2, 3)	\$ 79,775	\$ 76,870	\$ 2,905	4%	\$ 8,188	\$ 9,299	\$ (1,111)	10%	12%	-2%	- No significant variances.	<b>Cost:</b> - No significant variances. <b>Contingency:</b> - No significant variances.
Remote Sites	\$ 102,792	\$ 101,984	\$ 808	1%	\$ 9,402	\$ 5,805	\$ 3,597	9%	6%	3%	- No significant variances.	<b>Cost:</b> - No significant variances. <b>Contingency:</b> - No significant variances.
Stockpiles	\$ 45,372	\$ 52,243	\$ (6,871)	-13%	\$ 8,764	\$ 2,612	\$ 6,152	19%	5%	14%	- No significant variances.	<b>Cost:</b> - The complete execution of A&R plan has increased from 4 year to 6 years. - Increased labour and equipment rates - These were the two primary factors driving the increase in cost. <b>Contingency:</b> - No significant variances.
Camps & Related Facilities	\$ 1,800,916	\$ 1,689,090	\$ 111,826	7%	\$ 258,827	\$ 237,852	\$ 20,976	14%	14%	0%	- No significant variances.	<b>Cost:</b> - The increase in schedule from 4 to 6 years requires two additional years of freshet management (+\$712K) - Complete removal of all water crossing required to meet objectives and criteria (+\$900K) <b>Contingency:</b> - Decreased based on improved overall quality of estimate and supporting documentation.
Roads & Airstrips	\$ 2,452,859	\$ 779,410	\$ 1,673,449	215%	\$ 294,865	\$ 134,753	\$ 160,113	12%	17%	-5%		<b>Cost:</b> - The decrease is related to reduced borrow requirements due to completion of landfill access road and partial landfill construction.. <b>Contingency:</b> - No significant variances.
Borrow Quarry Areas	\$ 470,762	\$ 563,131	\$ (92,369)	-16%	\$ 103,678	\$ 126,062	\$ (22,385)	22%	22%	0%	- No significant variances.	<b>Cost:</b> - Operation of Milne Inlet OWS process in Year 2 prior to decommissioning of Milne Inlet fuel farm (+\$199K) - In the absence of a complete phase 1-3 assessment of hydrocarbon contaminate soils, worst case scenario applied to lined secondary containment berms require that material be transported to the land farm (+\$100K) <b>Contingency:</b> - increased based on uncertainty of Phase I-3 assessment results and productivity assumptions for large volumes of potentially contaminated fill transport.
Fuel Storage Facilities (Bulk and Drums)	\$ 532,637	\$ 223,079	\$ 309,558	139%	\$ 127,577	\$ 25,033	\$ 102,544	24%	11%	13%		<b>Cost:</b> - Task completed in 2010. (-\$7K) <b>Contingency:</b> - None
Explosives	\$ -	\$ 7,044	\$ (7,044)	-100%	\$ -	\$ 1,409	\$ (1,409)	0%	20%	-20%	- No significant variances.	<b>Cost:</b> - No significant variances. <b>Contingency:</b> - No significant variances.
Waste Management	\$ 568,669	\$ 583,405	\$ (14,736)	-3%	\$ 110,145	\$ 141,297	\$ (31,152)	19%	24%	-5%	- No significant variances.	

Appendix G-2
A&R Plan Variance Analysis - 2011 versus 2010 Cost Estimate

						Cash Contingency (\$)			% Contingency (%)			Key Variances
2011-2010	2011-2010	2011-2010	2011-2010	2011-2010	2011-2010	2011	2010	2011-2010	2011	2010	2011-2010	
2011 Total	2010 Total	Variance (\$)	Variance (%)	2011	2010	Variance						
												<b>Cost:</b> - Sampling program upgraded to a complete phase 1 to phase 3 environmental assessment to identify hydrocarbon contaminated soil and to develop soil remediation criteria and land farm design (+\$70K) - Two additional years of land farming added to the estimate to reflect conservative treatment time(+\$500K) - Additional camp operation for two years to support land farming. (+\$30K) <b>Contingency:</b> - Decreased based on improved overall quality of estimate and supporting documentation.
Hydrocarbon Impacted Soil	\$ 1,172,682	\$ 460,773	\$ 711,909	155%	\$ 176,491	\$ 124,242	\$ 52,250	15%	27%	-12%		<b>Cost:</b> - Project Management and third party contractor management & supervision estimate increased three fold to cover two additional core operating years. <b>Contingency:</b> 0% - No significant variances.
General Site Area	\$ 1,562,040	\$ 540,000	\$ 1,022,040	189%	\$ 156,204	\$ 54,000	\$ 102,204	10%	10%			<b>Cost:</b> - Land freight mobilization and demobilization of an independent third party contractor equipment & supplies (+\$340K) - Sealift mobilization and demobilization of an independent third party contractor equipment & supplies and the majority of purchased barreled fuel to support execution of the 2011 A&R Plan(+ \$1,160K) <b>Contingency:</b> - A moderate increase to compensate for level of certainty associated with of sealift unit prices and 3rd party contractor equipment & material volume estimates.
Sealift	\$ 4,353,868	\$ 2,861,265	\$ 1,492,603	52%	\$ 446,597	\$ 167,489	\$ 279,108	10%	6%	4%		<b>Cost:</b> - Purchase price of barreled fuel to execute the 2011 A&R plan (+\$1,536K) - Hercules heavy lift aircraft charter cost to mobilize a portion of the purchased barreled fuel required to execute portions of the A&R plan prior to year 2 sealift (+\$1,364K) - Additional 2 years of project site camp operations required to execute A&R plan (+\$1,400K) <b>Contingency:</b> - Increase based on additional contingency associated with certainty of fuel volume calculations,
Camp Operation	\$ 7,030,577	\$ 2,760,453	\$ 4,270,123	155%	\$ 866,236	\$ 281,709	\$ 584,527	12%	10%	2%		<b>Cost:</b> - Helicopter requirement for environmental monitoring of Mary River and Milne Inlet camps and surface water sampling no longer required. All monitoring can be completed by fixed wing aircraft (-\$200K) <b>Contingency:</b> - No significant variances.
Environmental Monitoring	\$ 303,636	\$ 505,210	\$ (201,574)	-40%	\$ 73,732	\$ 129,052	\$ (55,320)	24%	26%	-1%		
Subtotal - cash costs excluding contingency	\$ 20,525,690	\$ 11,203,956	\$ 9,321,734	83%	\$ 2,644,853	\$ 1,450,614	\$ 1,194,239	13%	13%	0%		