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Re: Update on Initial Development Works at the Back River Project

The letter is meant to provide relevant parties, specifically the Kitikmeot Inuit Association (KIA), Nunavut Impact Review Board (NIRB), Nunavut Water Board (NWB) and Crown-Indigenous Relations and Northern Affairs (CIRNA), with an update on our 2018 Initial Development Works at the Back River Project (Back River or the Project). Sabina understands the challenges faced by all parties to keep up to date on activities at a remote project such as Back River. In keeping with our approach of providing open and transparent information, Sabina has opted to provide this letter to assist parties in understanding the activities completed between March and early June 2018, as well as activities planned for the next few months. In addition, we will provide information on some of the challenges experienced as well as some of the future opportunities being considered to further reduce environment and safety risks as well as improve operational efficiencies.

As this letter is not a requirement of any current authorizations, Sabina has attempted to provide an appropriate level of overview. This letter is not meant to provide answers to all questions, nor is it meant to provide specific information as it relates to various authorizations.

Background

On December 19, 2017 Sabina received the final NIRB Project Certificate No. 007 which allows for construction and operation of the Back River Project. On March 13, 2018 Sabina received Type B Water License No. 2BC-BRP1819 from NWB which allows for identified Initial Development Works to commence at both the Goose Property and Marine Laydown Area. On April 23, 2018 Sabina finalized the required agreements (including, but not limited to, the Inuit Impact Benefit Agreement and Land Tenure Agreements) with the KIA. These agreements allow for advancement of the Project and ensure appropriate long-term benefits are being provided to Inuit of the Kitikmeot Region.



In addition to these authorizations, Sabina has historically possessed other NIRB screenings, NWB Type B Water Licenses, KIA Land-use Licenses, and CIRNA Land-use Licenses for exploration and associated supporting activities. In some cases these were used prior to receipt of the above mentioned Type B Water License No. 2BC-BRP1819 and KIA Land Tenure Agreements.

Activities completed to early June 2018

Goose Property

To date, no Initial Development Works have advanced at the Goose Property. Sabina has opted to remain focused on activities at the Marine Laydown Area to ensure that site is ready for the 2018 sealift activities. Exploration activities, including associated resupply and support services, have continued. Sabina may still commence Initial Development Work activities at the Goose Property in August or September 2018.

Marine Laydown Area

Initial Development Works at the Marine Laydown Area commenced on March 5, 2018 with the construction of an ice airstrip on Bathurst Inlet and the start-up of already present Marine Laydown Area camp. Sabina operated the ice airstrip from early March 2018 through to June 5, 2018. Large aircraft resupply commenced on March 12, 2018 and ended May 22, 2018 with smaller aircraft continuing to be used until closure.

Initially, the work focused on establishing a new temporary 40-person tent camp with associated kitchen, washrooms, office, shop, and other associated facilities. At the same time a significant volume of supplies and equipment was mobilized to provide for current and future construction needs. Short snow and ice roads were constructed to provide access on the land and to protect the tundra from damage. All equipment, materials and supplies were moved off the ice as quickly as possible and placed into temporary storage areas on land. Materials requiring special storage, including secondary containments, were carefully managed throughout the campaign and this approach continues to be used onsite. Bulk materials, including AN and diesel fuel, were mobilized and stored with the AN being placed in containment and fully wrapped or stored within buildings and the fuel placed within 30,000L enviro tanks in tertiary containment. Both the bulk AN and bulk diesel fuel campaigns were completed with no spills. Water required for the camp was obtained from various approved fresh water lakes in the area utilizing a snow cat on a snow road pulling a sled with small water tanks. In addition, we established 35,000 litres of additional temporary fresh water holding tanks to allow for more storage and thus reducing the risk of running out of water due to bad weather, equipment malfunction or warm weather ending the use of the snow road.

Subsequent to the establishment of the camp and support infrastructure, Sabina commenced quarry activities with the first blast on May 7, 2018. Immediately following Sabina began placing run of quarry material to establish the permanent roads, laydowns and pads required for the Marine Laydown Area operation. Thus far, the run of quarry material has been better than anticipated for construction needs and has been creating a solid, flat base without the need for crushing. The placement of material has been quick and efficient and has continued to be optimized based on operational needs. The attached figure shows an overview of the earthwork completed to early June. As noted we have made further minor enhancements to the layout with particular focus on safety and environmental enhancements as well as improving operational efficiency.

- As of early June, the Freight Storage Pad was approximately 65% constructed. Overall the size of the pad was increased by approximately 20% to allow for increased storage as a result of other pads not being constructed. We intend to construct the remaining portion in 2018.
- As of early June, the Shoreline Pad was approximately 50% constructed with Sabina opting not to construct the portion closest to the water until the high-water mark could be established. With ice on Bathurst Inlet, it has been difficult to ascertain the actual high-water mark and instead of estimating it

and risking impact to the marine environment we have opted to pause construction until the ice begins to melt. We intend to construct the remaining portion in 2018.

- A New Permanent Camp Pad is being advanced. Originally, Sabina intended to utilize a temporary camp (which is in the same location at the New Permanent Camp Pad) and then move it to a permanent location South of the Construction Laydown Pad. However, the temporary camp area has sustained impact to the tundra as a result of the camp operations – even foot traffic is resulting in tundra impact. Following discussion with KIA, it was agreed that instead of covering an unimpacted area at the Marine Laydown Area with material, it made more sense to shift the permanent camp location to the area around the temporary camp. Thus, the New Permanent Camp Pad will be constructed and permanent camp activities will be shifted. We intend to construct this Pad in 2018.
- The Construction Laydown Pad has decreased in size by approximately 50%. The Pad has shifted from North West of the road to South East of the road because of the removal of the original permanent camp pad. At this point, Sabina does not intend to build the larger pad to the North East of the Road. We intend to construct the smaller Construction Laydown Pad in 2018. Sabina may revisit the need for the larger pad to the North East of the Road at a later date.
- During the winter campaign Sabina required a medivac for an onsite injury. We were surprised to learn that the current Government of Nunavut Medivac Contact does not allow for landing on ice. As a result of this, and further considering the safety risks related to not being able to have aircraft land on the water in the shoulder season, Sabina is proposing to increase the ‘straight road’ airstrip to approximately 3,000 ft to allow for additional aircraft sizes to land, including Medivac aircraft.
- Various road alignments have shifted as a result of the need for a land based ‘straight road’ airstrip to support the Marine Laydown Area and to reduce the amount of quarry material needed. In addition, two trails have been established to access the Explosives Magazine and the AN storage. These roads will remain until those facilities are no longer required and then may be removed once we are sure these trails aren’t needed in the future.
- Sabina is proposing to shift the grey water discharge point as a result of the New Permanent Camp Pad location. The Original Greywater Discharge Location would be uphill from the New Permanent Camp Pad which will create significant operational issues, especially during the winter.
- After thorough consideration, Sabina is proposing to install a stand alone Bulk Fuel Pipeline and small vehicle Access Road in order to pump fuel from the fuel vessel to the yet-to-be-built bulk storage tanks. Although this increases construction costs marginally, operationally Sabina believes that it reduces risk when in use. Placing the Bulk Fuel Pipeline along the road, which was originally proposed, may result in damage due to snow removal and other operational activities. Sabina prefers to create a new more direct Bulk Fuel Pipeline to reduce risk.

Activities completed to date remain inline with authorizations and the Project description as presented with the Final Environmental Impact Statement. Overall the footprint of the Marine Laydown Area activities has decreased with the removal of some of the Pads/Laydown areas. In addition, the layout has been further refined to reduce safety and environment risk through some of the items listed above. Sabina has had no externally reportable spills to date at the Marine Laydown Area and has increased staffing levels to 1.5 dedicated environmental staff. Sabina has also hired an experienced Construction Manager to oversee all Initial Development work activities.

Challenges and Opportunities Identified

As with any new activity Sabina continues to learn and improve performance as we advance. With a focus on a safe and environmentally appropriate site we have identified several aspects which unexpectedly required additional consideration. These include:

- Incinerator capacity at the Marine Laydown Area was initially stretched as Initial Development Works operations began to ramp up. A more robust temporary incinerator was brought into the Marine Laydown Area to ensure effective waste management until the new permanent incinerator can be brought to site on the summer sealift.
- The Initial Development Work utilized snow cover as tundra protection prior to construction of all-weather road surfaces and pads. Sabina's schedule and field fit observations did not allow for all works to be done prior to placement of all all-weather roads and pads which therefore led to minor impact to tundra. These areas are almost entirely localized to where permanent pads are being placed. Any impacted areas not covered by infrastructure will be repaired, if appropriate, and monitored moving forward.
- During the Initial Development Work, Sabina determined that the current Government of Nunavut Medivac Contact does not allow for landings on ice. In the Final Environmental Assessment Sabina had intended to utilize ice and water landings at the Marine Laydown Area but did maintain the optionality for a 'straight road' airstrip. After further consideration, and in light of this ongoing safety concern, Sabina has opted to increase the construction budget to allow for a 'straight road' airstrip of approximately 3,000 ft.
- Fresh water supply was a challenge in the early days of Initial Development Works at the Marine Laydown Area. Sabina was able to access approved fresh water bodies with a Snow Cat and snow road however this activity was stopped once the snow cover began to melt. Currently the camp is utilizing the stockpiled water and a helicopter to resupply. Sabina is now working to commission the desalination plant utilizing temporary intake and discharge lines in the marine environment.
- Sabina has determined that due to the shift in camp location to the New Permanent Camp Pad the Greywater Discharge point must shift to ensure we don't need to pump water uphill. The new Proposed Greywater Discharge Location will be a slight downhill from the New Permanent Camp Pad and only shifts the discharge point by approximately 100m. The greywater would still be a land based discharge with similar residence time.
- Following an operational review, it was determined it is more appropriate to construct a stand alone Bulk Fuel Pipeline and small vehicle Access Road in order to pump fuel from the fuel vessel to the yet-to-be-built bulk storage tanks. Placing the Bulk Fuel Pipeline along the road, which was originally proposed, may result in damage due to snow removal and other operational activities. Sabina will increase the construction budget to allow for a more direct Bulk Fuel Pipeline to reduce operational risk.
- Sabina previously provided notification to the KIA and NIRB that we would be overwintering fuel in the marine environment. While it is not confirmed, Sabina is now leaning towards not overwintering fuel in the marine environment and instead utilize approved temporary double walled enviro tanks on land – inline with current authorizations.



Should you require any additional information please feel free to contact me at mpickard@sabinagoldsilver.com or (604) 484-8967.

Yours truly,



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Overview of the Marine Laydown Area – looking South (June 15, 2018)



Overview of the Marine Laydown Area – looking West (June 15, 2018)





Construction Laydown Pad (June 15, 2018)



Marine Laydown Area Quarry (June 15, 2018)



