



January 28, 2010

Don Carr - Technical Advisor  
Nunavut Water Board  
PO Box 119  
Gjoa Haven, NU X0B 1J0

**Re: Liability Assessment for 2BE-GOO0510, Part B, Item 9**

Dear Mr. Carr,

In response to your letter of January 6, 2010, Sabina provides the following comments.

One request in your letter is a clarification of the reclamation costs of \$284,000 for the Back River Project. We would first like to clarify that this is the current security held by KIA for the Goose and George camps. In June of 2009, Sabina acquired these properties and at that time were advised that the security required for the Goose Lake camp was \$142,000. An approved Abandonment and Reclamation (A&R) Plan was on file with the regulatory bodies and to facilitate the transfer, Sabina provided this security.

We have searched the available public documents and have determined that the \$142,000 was first generated in 2002 after permit and license applications submitted by Kinross Gold Corporation. Up to this time, security was \$100,000 for Goose which is the minimum required under the Territorial Lands Regulations. The A&R Plan submitted in 2002 indicates that restoration activities would be for the period up to 2010 and include:

- All materials, drums, wastes, structures and non-combustible materials would be transported to Yellowknife
- Sumps and other areas of disturbance would be backfilled or otherwise appropriately treated, graded to blend with surrounding topography, and other wise stabilized.

Further details of the breakdown of activities and costs for this security are not available as they would have been private negotiations between the company and the KIA. This security amount has remained in place since 2002 and the proposed activities have not materially changed. Sabina does acknowledge, however, that since 2002 the Goose camp has changed in response to operational needs, regulatory requirements and an increased focus on health, safety and environment.

It is noted in the RECLAIM Guide (RECLAIM: VERSION 4.0 MINE RECLAMATION COST ESTIMATING MODEL GENERIC GUIDE, March 2001) it is "...essential that a closure plan be developed and a list of quantities



for the reclamation activities be prepared before attempting to use the spreadsheet.” Sabina acknowledges that an accepted closure plan is needed prior to determining the security costs as regulatory, environmental, community and traditional knowledge considerations need to be included. We have submitted an A&R Plan as part of the NWB application package that we look forward to undergoing review and acceptance as this will provide direction to determining the detail list of activities and costs.

The RECLAIM Guide goes further to indicate that “The model was developed to include the major components of a mine and to be readily adapted to suit any mine configuration.” From your letter of January 6, if the intent is to provide “...the Board and the public with an idea of what has taken place and the associated costs to reclaim” we do not see a need to use the RECLAIM model as this has been developed to outline activities and costs associated with the construction, operation and closure of an operating mine. A significant proportion of the model is not applicable to a temporary exploration camp and its use would be inappropriate for the Goose Lake camp. The model does provide information about unit costs that may be applicable in determining reclamation costs, however, the Guide also clarifies that these costs are site specific and need to be based on informed decision and a consensus using the approved A&R Plan and the unique site conditions.

In order to ensure compliance with 2BE-GOO0510, amendment 2, Part B, Item 9 and move the water license renewal application for the Goose camp to proceed, Sabina has outlined possible restoration activities and costs in the attached table. It should be noted that Sabina is engaged in a program of ongoing reclamation of all their Nunavut campsites utilizing backhaul flights and equipment currently onsite. The calculations assume that:

- Only Goose Lake camp is included in the cost estimate
- Leaving the site will be in a “controlled” scenario with more than one season to complete; this infers that the work would be completed by Sabina in a staged approach to take advantage of available personnel, equipment and facilities on site and in the area.
- Every effort will be made to minimize the time to complete
- All improvements and assets will be removed from the site
- Demobilization of drill rigs and associated equipment, supplies and materials are covered by contractual agreements in place with suppliers
- Closure monitoring and inspection will occur for 3 years
- Available unit costs from RECLAIM version 3.1 are used

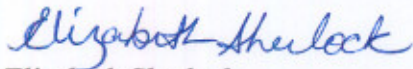
Sabina is committed to conducting mineral exploration activities in a socially acceptable and environmentally sensitive manner that includes progressive and final reclamation considerations. But we are concerned about presenting these estimates as we are unsure of the coordination among the regulatory authorities sharing jurisdiction for water and land management. For this reason, we do not see an obligation to post this security with this response as many components of the closure plan and associated costs would be open for discussion. We would also anticipate further discussion would be needed between the authorities with respect to security form, proportionality of the activities and deposit/refund mechanisms prior to posting.





Your letter indicates that the current license requires an estimate but this does not necessarily infer the Board will impose a security requirement. We hope this response satisfies the requirement of outlining the general activities of closing the Goose Lake camp permanently with an approximate updated estimated cost.

Regards,



Elizabeth Sherlock  
Environmental/Permit Coordinator



# GOOSE LAKE CAMP RECLAMATION COSTS

(Prepared by Sabina Gold & Silver Corp.; attachment to Jan 28, 2010 letter to NWB)

ACTIVITY/MATERIAL	UNITS	QUANTITY	UNIT COST	COST		
Exploration Activities						
Drill Hole locations						
Cement	30kg bags	0	\$8	\$0	drill location reclamation would be part of on-going exploration costs; it is assumed that some reclamation may not occur each year.	
Other (helicopter support)	hours	5	\$2,000	\$10,000		
Personnel to flush casing and cement	days	7	\$300	\$2,100		
Subtotal Drill Locations				\$12,100	\$12,100	
Trench						
Backfill trenches/recontour	days	0	\$	-	In approved A&R plan, trench to be backfilled as part of final closure; Sabina will backfill as part of progressive reclamation as part of on-going exploration to be completed 2010	
Subtotal Trenches				\$0		\$0
Building and Equipment						
DISPOSE EQUIPMENT						
Decontaminate and ship mobile/stationary equipment off-site	days	280	\$300	\$84,000	assumes 14 people for 20days; includes on-site work and cat-haul	
Other (remove unused drilling steel/material)	days	140	\$300	\$42,000		
DECONTAMINATE BUILDINGS & TANKS	days	42	\$300	\$12,600	assumes 14 people for 10 days; includes on-site work and cat-haul	
REMOVE BUILDINGS						
Buildings	m2	3000	\$25	\$73,500	assumes 14 people for 3 days	
Remove boneyard waste	m3			\$0	\$24.50/m2 based on RECLAIM3.1 (\$19.5 to disassemble and \$5 to burn; in approved A&R Plan); personnel equivalent is 17.5 days for 14 people @ \$300ea/day included in "dispose equipment-other"; progressive reclamation during exploration program will also include	
RECLAIM ROADS & AIRSTRIP						
Scarify and install water breaks	km	2	\$3,215	\$6,430	RECLAIM3.1 : personnel equivalent is 1.5 days of 14 people @ \$300 ea/day	
SPECIALIZED ITEMS helicopter support	hours	10	\$2,000	\$20,000		
Subtotal Buildings and Equipment				\$238,530	\$238,530	
Chemicals and Contaminated Soils						
FUEL						
diesel, av gas, propane	litre	20000	\$0.30	\$6,000	each year fuel on-site is sufficient to cover proposed annual program and every effort will be made to minimize the fuel needed for off-site shipment; based on RECLAIM3.1 shipping and handling remaining fuel off-site	
WASTE OIL						
Oils/lubricants - ship off-site	litre	0	\$1	\$0		
Personnel helicopter support	hours	8	\$2,000	\$16,000		
Subtotal Chemicals and Contaminated Soils				\$22,000	\$22,000	
Mobilization						
MOBILIZE HEAVY EQUIPMENT FROM SITE TO REGIONAL CENTRE						
may include activities such as overland transport, relocation of equipment to other Sabina project sites, marine shipping, air transport				lump sum	\$196,000	
Subtotal Mobilization				\$196,000	\$196,000	
Post Closure Monitoring and Maintenance						
Monitoring during reclamation						
Environmental Monitoring	lump sum	1	\$10,000	\$10,000		
Post Closure Inspections						
Annual Inspection	lump sum	2	\$10,000	\$20,000		
Subtotal Post Closure Monitoring and Maintenance				\$30,000	\$30,000	
Subtotal Capital Costs to Close					\$498,630	
PROJECT MANAGEMENT				3 % of subtotal	\$14,959	
ENGINEERING				0 % of subtotal	\$0	
CONTINGENCY				10 % of subtotal	\$49,863	
GRAND TOTAL - CAPITAL COSTS					\$563,452	

## NOTES:

this estimate is prepared by Sabina to meet terms and conditions outlined in 2BE-GOO0510, part B, item 9 these activities are the base strategy for anticipated tasks in the event that exploration activities cease in a controlled scenario that leaving the site will be "controlled" exit with more than one season available to complete that all improvements and assets will be removed and site returned to pre-exploration conditions every effort will be done to minimize time to complete where available RECLAIM3.1 information have been used demobilization of drillrigs and drill equipment/supplies/material to be completed under contractual arrangements with supplier closure monitoring and inspection will occur for 3 years