



March 30th 2012,

Mr. Ryan Barry
Executive Director
Nunavut Impact Review Board
PO Box 1360 Cambridge Bay, NU
X0B 0C0

Re: Update on the Re-engagement of the Bathurst Inlet Port and Road (BIPR) Project into NIRB Process.

Dear Mr. Barry,

As you are aware, on November 15th, 2011, Sabina Gold & Silver Corp. (Sabina) completed the purchase of the Bathurst Inlet Port and Road (BIPR) Project from the BIPR Joint Venture Ltd. Since then, Sabina and Xstrata Zinc Canada (Xstrata) have been jointly examining the possibility of re-engaging the technical review process of the BIPR Project.

Following our informal but very useful discussions with you about the BIPR Project earlier this year, we are pleased to inform NIRB our intention to re-engage the BIPR Project. This will be done jointly by Xstrata, Sabina and potential other parties.

The revised BIPR project that will be submitted to NIRB will have essentially the same functions and benefits as those described in the Project Rationale of the BIPR Draft EIS's Executive Summary submitted in 2007; also, the majority of the proposed infrastructure for the new BIPR Project submission would be very similar to the previous one. The BIPR will increase certainty of supplies along with level of business activities in Western Nunavut and will lower overall costs of supplies, which are all positive aspects for the Kitikmeot region. We have updated the list of potential users of the BIPR and are currently seeking their interest in participation.

The main change we envision to the revised BIPR Project will be the schedule relating to staging for construction. All the port facilities, as well as the first 85 km of the all-weather road, would be built in the first phase of the project. However, the western portion of the road and the camp at Contwoyto Lake would be built in a second phase once users have been confirmed.

As per our recent discussion in Toronto at PDAC, our intent is to submit an updated Draft EIS to NIRB before the end of 2012. The new Draft EIS will include, not only the actual effects assessment, but also the responses from stakeholder technical comments from the 2008 NIRB submission, articulate the project changes identified above, and identify the future users of port facilities and all-weather road. The cumulative effects will also be revised according to the new potential users. The following attachment summarizes the scope of the upcoming submission.

Should you need more information, please do not hesitate to contact us at your convenience.

Sincerely,



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Matthew Pickard
Director, Environment & Community Relation
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cc : J. Desrosiers
R.Prairie
R. Pease

Attachment

Re-Engagement of the Bathurst Inlet Port and Road (BIPR) Project into NIRB Process

REVIEW OF BIPR RATIONALE AND PURPOSE

Reviewing the Project Rationale from the Executive Summary of the BIPR DEIS (2007), the Project's functions and benefits as stated, would not change and can be summarized as follows:

- increased certainty of supply combined with a lower landed cost of fuel and other bulk goods destined for the diamond mines in NWT;
- lower cost of fuel and other bulk goods landed at the Jericho Diamond Mine in Nunavut;
- significantly lower landed cost of fuel and other bulk goods from Eastern Canada destined for Kitikmeot communities via the port at Bathurst Inlet;
- significantly earlier arrival of materials at similar or lower landed cost from western Canada destined for Kitikmeot communities shipped north on the winter road via Yellowknife;
- increased training, employment and business development opportunities for workers and businesses in the Kitikmeot region;
- overall increased wage incomes and business activities in the Kitikmeot region that will contribute increased tax revenues to the Governments of Nunavut and Canada;
- significantly reduced capital and operating costs for future mineral exploration and mine development in the Nunavut portion of the Slave Geological Province; and
- provision of capacity to allow additional development to occur in the region.

In addition, the shipping route and the port will help further the federal initiative of increased Arctic sovereignty, particularly along the Northwest Passage.

Further review of the project components also shows that the majority of the proposed infrastructure for the BIPR Project would not change either. The Project would include a port that would service 50,000+ tonne ice-class vessels for the delivery of fuel, bulk cargo and general supplies as well as barges containing fuel and supplies for Kitikmeot communities. The port facilities would include a barge landing, a wharf, laydown and container storage areas, accommodations, maintenance shops, power plant, airstrip, a sewage treatment plant and other site services. It will also include a 220 million liter diesel fuel tank farm. This is what was envisioned by the BIPR Joint Venture with the Hackett River Project adding additional components to it such as concentrate storage at the port (as identified within the 2008 Hackett River Project Proposal).

What Xstrata and Sabina have considered however, is a change to the BIPR Project construction schedule. Moving forward, the proposal would be to stage the construction of the Project. All the port facilities would be built in the first phase as well as the first 85 km of the road. The rest of the road and the camp at Contwoyto Lake would be built at a later time in a second phase once users are confirmed. Another change to be noted from the original BIPR submission is the level of activity on the road. It is envisaged that the all-weather road would be used 10-12 months instead of 3 months per year. Therefore, the use of BIPR would be about 18

trucks per day over 12 months instead of 73 trucks per day over 3 months; however, the total volume of fuel and cargo transported (ie 7,000 trucks/yr) would remain largely unchanged.

PROJECT NEEDS AND RATIONALE

Phase I

Hackett River and Back River projects, respectively located 20 km West and 80 km Southeast of BIPR would both benefit from the implementation of Phase I of the new BIPR Project.

For Hackett River, operations will require access to shipping facilities and corridors to transport concentrate from the mine site to market. Xstrata owns and operates the Brunswick Mine in New Brunswick which will be closing in the near future. Hackett River's future production has the potential to become the alternate source of zinc concentrate to supply Xstrata's zinc refinery located in Québec, if its schedule falls within a certain time window. It becomes clear that the schedule for the Environmental Impact Assessment process for the Hackett River Project is on the critical path and becomes a corner stone for its development and suit the need of zinc concentrate in a certain timeframe. It was always the intent of the Hackett River Project to use the BIPR infrastructure, as stated in the Guidelines for the Preparation of an Environmental Impact Statement for the Project in April 2009 (sections 1.2 and 3.3a).

BIPR infrastructure (road and port) is critical for the timely construction and operation of the Hackett River Project. Early access via an all-weather road will be critical to construct and develop mining operations in an efficient and cost effective manner. Contrary to EKATI and Diavik mines, a winter road is not currently considered as a viable option for construction of the Hackett River Project. First the magnitude of the project is much more important than the other two and second, the necessary and constant interactions between Hackett River mine site and Bathurst Inlet during the early and long term phases of the project makes the early construction of the road and port crucial for the development. Hackett cannot be compared to Lupin Mine either, which was a gold mine with a lot smaller scale of infrastructure required to operate. It also goes along with the volume of supplies required to build and operate: modular buildings, structural steel, fuel, reagents, consumables, etc. It is therefore paramount that permanent early access be available to allow the timely and economical development of the Hackett River Project.

Sabina is currently reviewing options for infrastructure related to its Back River Project; however, a transportation corridor will be required between its project and a Bathurst Inlet port facility. All weather roads would allow for more options for future development and could significantly improve project viability.

An important factor in Nunavut which all developers and residents face is the short window for certain types of activities. Construction schedules are highly dependent on the availability of the shipping window and overland access. Accessing either Hackett River or Back River only by air

for all construction would be uneconomical and unreasonable for operations. Early access to allow construction and development is critical to mineral development at both Hackett River and Back River.

Both Xstrata and Sabina intend to jointly submit the revised Draft EIS for BIPR. We have initiated discussions with Kitikmeot stakeholders with regards to their potential participation in the BIPR Project.

Phase II

The second phase of the BIPR would include construction of the road from km 85 to Contwoyto Lake as well as the Contwoyto camp and would be initiated after completion of Phase I and at a time suitable to the project promoter / consortium, which will include future BIPR users.

BIPR will be a facility offering basic services: fuel farm, dock, laydown area and short airstrip to the different users, not exclusive to Hackett River or Back River. The Project is crucial infrastructure for creating employment and business opportunities for residents from local communities and expanding the economy of the Kitikmeot region and Nunavut. The Project infrastructure would service both the Hackett River Project and the Back River Project and help to attract capital investment for on-going exploration and development of new mines and existing mines. It would also reduce the cost of essential bulk materials (e.g., fuel) to Kitikmeot communities, thereby reducing the cost of living in these communities. It is important to note that any potential effects from concentrate hauling, storage at the port and shipping from the Hackett River Project activities would be included in the BIPR Project submission to NIRB and would all be covered in the Draft EIS of Hackett River as outlined in the Hackett River EIS Guidelines. However, cumulative effects of the Hackett River Project and Back River Project with BIPR would be addressed in the BIPR Draft EIS.

Xstrata and Sabina recognize that infrastructure is needed for all development in the Kitikmeot Region, not just for these mineral projects. Completing the environmental assessment along the entire BIPR corridor would move infrastructure development forward for other parties in the area. Staging the permitting and construction would meet Project development needs for Hackett River and Back River.