

Manitoba



Conservation and Water Stewardship

Climate Change and Environmental Protection Division
Environmental Approvals Branch
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www.gov.mb.ca/conservation/eal

File: 2435.40
September 21, 2012

Cal Liske, P.Eng.
Chief Mining Engineer
Mines Branch
Innovation, Energy and Mines
360-1395 Ellice Avenue
Winnipeg, MB R3G 3P2

Dear Mr. Liske:

Re: San Gold Corporation – Tailings Management Area Expansion - Environment Act Proposal

The responses from the Technical Advisory Committee (TAC) that requested additional information regarding the Environment Act Proposal for San Gold Corporation's Tailings Management Area Expansion were forwarded to the proponent for response.

Please find attached San Gold Corporation's September 18, 2012 letter responding to the comments and requests for additional information presented in your June 4, 2012 memorandum. Please review the information provided to determine if your comments or concerns have been satisfactorily addressed.

Your comments, if any, are required to be submitted to the Environmental Approvals Branch by October 12, 2012. No response on your part will be assumed to indicate no concern.

If you have any questions, please contact me at 204-945-7012.

Yours truly,

A handwritten signature in black ink that reads "Winsor".

Jennifer Winsor, P.Eng.
Environmental Engineer

Attachment

- c. Don Labossiere, Director – Environmental Compliance and Enforcement, Conservation and Water Stewardship
Ernest Armitt, Director – Manitoba Innovation, Energy and Mines
Public Registries

SAN GOLD CORPORATION
P.O. Box 1000 – ML 63 Antonio Road
Bissett, MB R0E 0J0
Ph: (204) 277-5411 Fax: (204) 277-5552
www.sangold.ca

September 18, 2012

Jennifer Winsor, P.Eng
Environmental Engineer
Environmental Approvals Branch
Conservation and Water Stewardship
123 Main Street, Ste. 160
Winnipeg, MB R3C 1A5

Dear Ms. Winsor:

Subject: San Gold Environmental License

The following is in response to questions and concerns raised by the Mines Branch of Innovation, Energy and Mines regarding our application for an expansion of the Tailings Management Area ("TMA").

- 1. Identify all First Nations and Aboriginal communities whose traditional activities may be impacted by the project.**

Response: Hollow Water First Nation, Little Black River First Nation and Sagkeeng First Nation lie within a 130 kilometre radius of the Rice Lake Mine and tailings facilities. By definition trapping, fishing, hunting and gathering rights for medicines and wild rice would constitute traditional activities. The proposed expansion of the TMA will sterilize approximately 100 hectares of land on Mine Lease 63. There is no hunting allowed on the Mine Lease due to safety reasons and the requirement to comply with the Manitoba Workplace Safety and Health Act and Regulations. There was no wild rice growing in the area where trees were harvested and to the best of our knowledge there were no other gathering activities being practiced. There

are two recognized trap lines in proximity to the proposed expansion (Trap Line #12 owned by Conrad Bushie and Trap Line # 11 owned by Eugene Bear). San Gold has negotiated a confidential compensation settlement with Eugene Bear specific to Trap Line #11 for loss of opportunity to trap in the proposed expansion area. (Attached is a signed letter from Eugene Bear withdrawing his prior letter of opposition to the project). San Gold is currently in negotiation with Conrad Bushie regarding loss of opportunity to trap as a result of the harvesting of trees in the proposed expansion area. San Gold has made a settlement offer to Mr. Bushie which to-date has not been accepted. Hollow Water Chief and Council have encouraged direct negotiation between San Gold and the affected parties.

Hollow Water First Nation is located downstream from the mine site. Under the Stage II Environmental License San Gold is permitted to discharge water on an annual basis water from the polishing pond in the existing TMA. San Gold is required to sample the discharge and not exceed regulatory standards for water quality. Water is discharged into No Name Creek which flows in the Wanipigow River, passing Hollow Water First Nation and discharging into Lake Winnipeg. Little Black River First Nation and Sagkeeng First Nation are not impacted by the discharge into the Wanipigow River other than being contiguous to Lake Winnipeg.

San Gold discharged approximately 150 million US gallons of water from the polishing pond in 2011 and expects to discharge approximately 130 to 150 million US gallons in 2012 and subsequent years. The majority of water that is discharged on an annual basis results from precipitation and surface runoff into the TMA. San Gold recirculates 95% of the water used in the milling process. During 2011 San Gold constructed a new dyke on the north west corner of the TMA (Dyke #8) that has successfully prevented water migrating from the entering the TMA from the environment.

2. Engage with identified First Nations and Aboriginal communities.

Response: San Gold engages with the local communities in various formal and informal ways. San Gold is the largest industrial employer for constituents of the Hollow Water First Nation. San Gold also employees constituents from Little Black River First Nation and Sagkeeng First Nation. San Gold currently has 435 employees of which 30% are of First Nations and/or Aboriginal descent.

San Gold sponsors community teams and events such as Black Island Days. Recently San Gold initiated sponsorship of the local radio station in Hollow Water and is the largest industrial sponsor to-date. San Gold participates in the Hollow Water First Nation Traditional Area Advisory Committee ("TAAC") which meets on a bi-weekly basis to discuss community issues and consider business development opportunities. The TAAC works as a volunteer organization in conjunction with Hollow Water First Nation Chief and Council. San Gold recently committed to a three (3) year sponsorship of the TAAC at the annualized amount of \$30,000 per annum.

On June 6, 2012 San Gold made a presentation to the residents of Hollow Water First Nation to outline the proposed expansion plans and discuss the impacts of the project. Hollow Water First Nation Chief and Council have visited the mine property in the last two weeks, met with San Gold management to better understand the proposed expansion and toured the existing TMA and the proposed area for the expansion. The Hollow Water First Nation TAAC is scheduled to visit the property on September 20th, 2012 to better understand the project and facilitate discussion within the community.

San Gold is aware that a group of community members from Hollow Water First Nation called Kookom's Group of Hollow Water First Nations ("Kookom's") has expressed opposition to the proposed expansion. On the advice of Hollow Water First Nation Chief and Council San Gold has not yet met directly with the Kookom's. It is our understanding that the Kookom's have no official standing within the community.

San Gold has made several attempts without success to facilitate a similar information meeting in Little Black River. To-date we have been unable to gain confirmation of dates and times but remain committed to do so. In addition San Gold intends to join the Little Black River First Nation TAAC and provide sponsorship.

- 3. Report on the engagement and integrate any community issues and concerns into the EIS.**

Response: San Gold intends to continue improving communications with the community through the TAAC, radio station and dialogue with the Hollow Water First Nation Chief and Council. During community meetings a concern was raised that the community does not have funding for water

sampling and analysis. San Gold has committed to increase sampling locations during the annual discharge including a new sampling location at or near Hollow Water. San Gold has also committed to fund the costs of parallel sampling at an independent laboratory to validate the quality of water entering the community and ensure third party objectivity. San Gold also intends to negotiate a TAAC agreement with Little Black River.

San Gold continues to be a large employer in the local area. San Gold has requested increased local hiring commitments from its contractors. In early October 2012 San Gold has contracted with Workbay.net to build a skills inventory database in the community of Hollow Water First Nation to better facilitate readiness for community members to join the local work forces. This initiative will be funded by San Gold and at no cost to the communities.

4. Provide an assessment of what effects the project may have on the exercise of Aboriginal and Treaty rights of the identified First Nations and Aboriginal communities.

Response: There should be negligible impacts from the proposed TMA expansion other than the two residents of Hollow Water First Nation that have or are engaged in trapping activities. As stated above one trapper has negotiated a settlement to his satisfaction and a second trapper is in negotiations with the company. In the case of the second trapper his primary source of income is not trapping. The proposed expansion of the TMA represents less than 5% of surface area covered by Trap Line #12 and it is located between the Wanipigow River and Highway #304. 95% of Trap Line #12 remains accessible for trapping. The company expects that the annual discharge from the existing TMA and future TMA will not exceed current discharge rates and volumes and as such there will be no change to water quality at Hollow Water First Nation.

The expanded TMA is located within the company's Mineral Lease #63. There is no hunting within the Mineral Lease and no fish habitat has been impacted. To the best of our knowledge the Company's right to develop a mining property on Crown lands outside of designated First Nations lands is not subordinate to a First Nations individual's right to exercise traditional activities such as hunting, fishing, trapping and gathering rights on the same ground.

5. Outline any proposed accommodation measures to address the identified affects.

Response: As outlined above there are only two Trap Lines that are impacted by the proposed TMA expansion. A settlement has been reached with the owner of Trap Line #11 and a settlement is currently being negotiated with the owner of Trap Line #12 based on the concept of loss of opportunity to trap. There are no other affects that have been identified outside of our current Operating License. To mitigate any concerns regarding quality of water being discharged into the environment San Gold has committed to pay for the costs of sampling and analysis of water at Hollow Water.

It is apparent that most of the concerns from constituents are as a result of misinformation regarding the project and the project impacts. It is the Company's intent to continue to communicate with and educate community members and elected representatives of the communities regarding the impacts of the project. The Company has committed to additional information meetings in the community to address concerns and utilize the TAAC process to disseminate information.

6. Provide an update to the existing Mine Closure Plan for approval of the Director of Mines by September 30, 2012.

Response: The up-dated version of the Mine Closure Plan is on track to be completed and submitted by September 30, 2012.

If you have any other questions, please contact me at (204) 277-5401 Ext 204.

Yours truly,



John Hutchison

**Manager of Milling and Environmental
San Gold Corporation**

July 13, 2012

To: Jennifer Winsor
Environmental Approvals Branch
Conservation and Water Stewardship
123 Main Street, Suite 160
Winnipeg, Manitoba
R3C 1A5

Re: San Gold Corporation – San Gold Tailings Management Area Expansion (File: 2434.40)

Fr: Eugene Bear
Title-holder of Trapline #11
Hollow Water First Nation

Dear Ms. Winsor,

I am writing further to my letter of May 23, 2012 where I expressed my initial opposition to the Notice of Environmental Act Proposal by San Gold Corporation regarding the proposed expansion of the tailing management area ("TMA") for its Rice Lake Gold Mine. Subsequent to the date of my letter, I met with management of San Gold Corporation and they addressed all of my concerns regarding the proposed expansion of the TMA to my satisfaction. Accordingly, at this time I wish to formally withdraw my previous objection to the Notice of Environmental Act Proposal by San Gold Corporation regarding the expansion of its TMA.

Sincerely, *Eugene Bear*

Eugene Bear