

May 3, 2016

**Via Electronic-mail:** [Jennifer.Winsor@gov.mb.ca](mailto:Jennifer.Winsor@gov.mb.ca)  
**Hardcopy via Canada Post**

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

**Re: Notice of Minor Proposed Alteration  
Ore Rock Stockpile Area Maximum Capacity Increase  
Bissett Gold Mine - Environment Act Licence 2628RR  
Klondex Canada Ltd.**

Dear Ms. Winsor:

Klondex Canada Ltd. (Klondex) is submitting this Notice of Alteration (NOA) to the Environmental Approvals Branch (Branch) of the Manitoba Conservation and Water Stewardship to request permission to increase the storage capacity of the Ore Rock Stockpile Area. Based on discussions with the Branch on Monday April 11, 2016, Klondex has prepared this NOA outlining the proposed alterations to the Environmental Act Licence 2628RR (EA Licence).

All compliance activities related to ore management under the EA Licence will continue to be executed accordingly. Klondex has included the required processing fee in the amount of \$500 cheque (Cheque No.000113), payable to the Minister of Finance.

## **Background Information**

### *Current Status of Rice Lake Mine*

The Rice Lake Mine was placed into care and maintenance on April 14, 2015 by San Gold Corporation. Klondex purchased the Rice Lake Mine on December 17, 2015 and is currently working to re-open mining facilities. Under San Gold Corporation, mining operations ceased on April 16, 2015 and since that time no ore has been placed on the Ore Rock Stockpile Area. Approximately 1000 tons of ore remained on the stockpile area when operations ceased.

The EA Licence currently allows a maximum storage capacity of 10,000 tons of ore stockpiled on the Ore Rock Stockpile Area. The EA License also provides permission for a 2,500-ton per day mining, milling, and refining operation in Mineral Lease 63, Township 24, Range 13 and 14. As required by Section 14 of *The Environment Act*, this NOA outlines the proposed minor alterations and includes a summary of the insignificant potential environmental effects.

### **Proposed Stockpile Activities**

Klondex is proposing stockpiling up to 50,000 tons of ore, mined from the Cohiba Mine, on the Ore Rock Stockpile Area. Once mining commences, ore will be stockpiled up to 50,000 tons, prior to commencing milling operations. The stockpile will remain at the 50,000-ton capacity for a period of one year after which it will be depleted to below the permitted 10,000-ton capacity.

### **Reasons for Ore Stockpile Capacity Increase**

The proposed Ore Rock Stockpile Area capacity increase will allow Klondex to begin mining operations prior to commencing milling operations. In order for mining to commence while improvements to the milling operation are completed the stockpile capacity must increase. In addition, stockpiling will allow sufficient quantities of ore to be available when milling activities commence. This ensures optimal milling rates can be achieved ensuring a smooth transition from care and maintenance status into full operation.

### **Acid Base Accounting (ABA)**

The ore at the Rice Lake Mine is non-acid generating as indicated by the 2015 Annual Acid Base Accounting Report submitted to the Branch on March 3, 2016. All compliance sampling and Acid Base Accounting testing will continue as required under the EA License.

### **Potential Environmental Effects**

As required by Clause 22 of the EA Licence, all ore will be non-acid generating and stockpiling restricted to the Ore Rock Stockpile Area. No additional environmental effects are anticipated as there will be no changes to infrastructure or processes. The increase in the ore stockpile capacity is temporary and Klondex considers it to be a minor alteration.

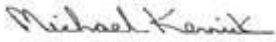
If you have any concerns or require further information please don't hesitate to contact me at (204) 277-5411.

Ms. Jennifer Winsor  
May 3, 2016  
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Sincerely,

**Klondex Canada Ltd.**



Mike Kernick  
General Manager, Bissett Gold Mine

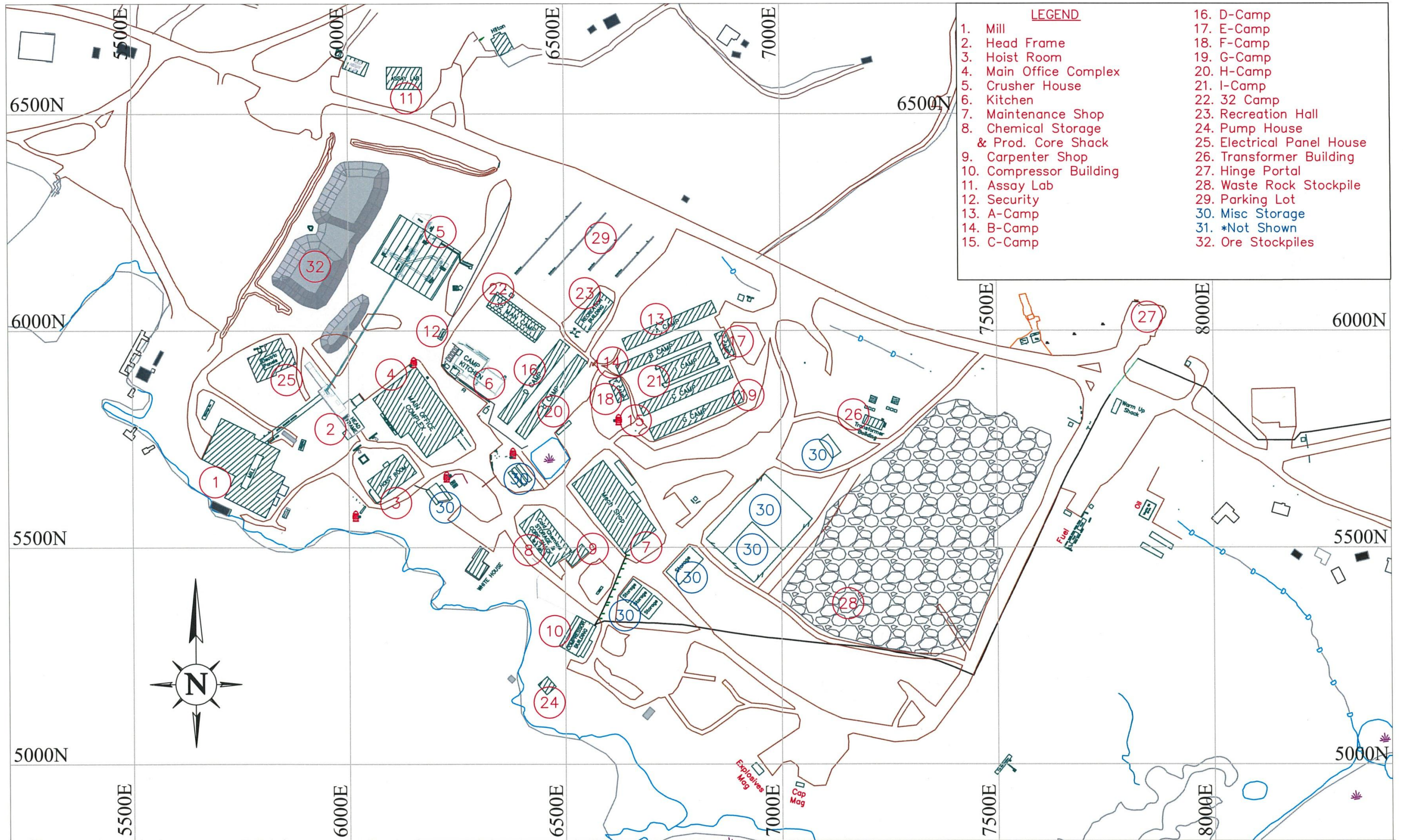
Attachments: Cheque No. 0000113  
Attachment 1 Ore Stockpile Area Location  
Attachment 2 Stockpile Capacity Estimation

cc. Amelia Bauer, Environmental Superintendent, Klondex Canada Ltd.  
Lucy Hill, Environmental Manager, Klondex Mines Ltd.  
Mike Doolin, Chief Operation Officer, Klondex Mines Ltd.  
Neil Rentz, Enforcement Branch, Manitoba Conservation  
Siobhan Burland Ross, Approvals Branch, Manitoba Conservation

## **Attachment 1**

### **Ore Stockpile Area Location**



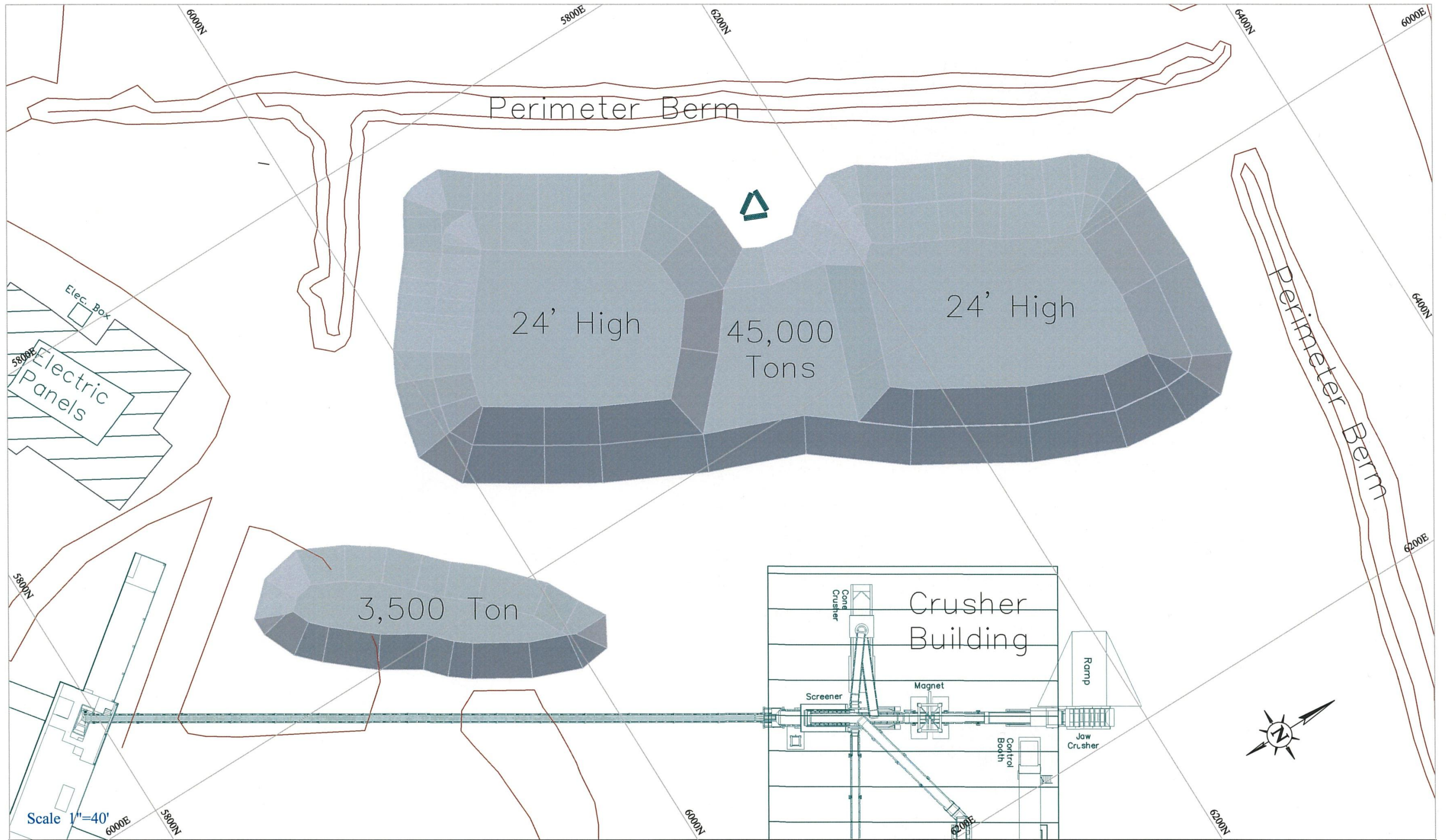



- LEGEND**
- 1. Mill
  - 2. Head Frame
  - 3. Hoist Room
  - 4. Main Office Complex
  - 5. Crusher House
  - 6. Kitchen
  - 7. Maintenance Shop
  - 8. Chemical Storage & Prod. Core Shack
  - 9. Carpenter Shop
  - 10. Compressor Building
  - 11. Assay Lab
  - 12. Security
  - 13. A-Camp
  - 14. B-Camp
  - 15. C-Camp
  - 16. D-Camp
  - 17. E-Camp
  - 18. F-Camp
  - 19. G-Camp
  - 20. H-Camp
  - 21. I-Camp
  - 22. 32 Camp
  - 23. Recreation Hall
  - 24. Pump House
  - 25. Electrical Panel House
  - 26. Transformer Building
  - 27. Hinge Portal
  - 28. Waste Rock Stockpile
  - 29. Parking Lot
  - 30. Misc Storage
  - 31. \*Not Shown
  - 32. Ore Stockpiles



## **Attachment 2**

### **Stockpile Capacity Estimation**



 <b>KLONDEX</b> CANADA LTD BISSETT OPERATIONS	<b>StockPile Estimation</b>	Mgr. Mining:		Mrg. Maint.		Drawn By: Scott McPherson	Scale: -
	File Path: C:\Users\scott\Desktop\Stockpile Estimation.dwg	Mine Capt:		Elec. Super:		Checked By: -	Plot Date: Mar. 22, 16
		Engineering:		Maint. Planner:		Engineering: -	Date Created: Sep. 1, 11