



MEMORANDUM

To: Tracy James, BC EAO
Kevin Inouye, CEA Agency
Sunny LeBourdais, SSN

Date: 15 July 2016

From: Nicola Banton

CC:

Subject: KGHM Environmental Performance

Through Round 1 commenting on the Ajax Project Application/EIS, two questions have been received regarding the environmental performance at existing KGHM mine sites. This memo provides responses to those questions, as follows:

SSN-930: Has KGHM had any major spills at any of their international mine sites?

For the purposes of the Accidents and Malfunctions assessment in the Environmental Assessment (Section 17.6), a 'major' event is defined as 'Events causing reversible damage to the environment and temporary dysfunction of ecosystems' outside of the local study area. Based on this definition, there have been no major spills on record. Since 2013, there have been eight reportable spills of process solution and hydraulic oil at the Robinson Mine site in Nevada (3 in 2013, 4 in 2014, 1 in 2015). These spills were contained on the mine site and had no environmental impact. Corrective actions were implemented for each spill, including consideration of means to prevent future re-occurrences.

SSN-931: What are the results regarding the investigation of the Chilean government's investigation of KGHM for alleged environmental infractions at the Sierra Gorda mine? Can you speak to the alleged breaches?

KGHM is an investor in Sierra Gorda SCM, the joint venture which controls and operates the Sierra Gorda mine. In 2015, Sierra Gorda personnel, through routine environmental audits and observations, became aware of infiltrations through the TSF embankment. These infiltrations are being monitored, assessed and addressed. On-going site hydrogeological monitoring indicates that the infiltration has not impacted the environment. Sierra Gorda SCM has been working with the Chilean Environmental Enforcement Agency (SMA) to rectify the issue. On April 5, 2016, Sierra Gorda SCM proposed a Compliance Plan to the SMA. If the Plan is judged acceptable and then implemented to satisfaction of the SMA, the enforcement action will be closed without sanction.

Additional details on regulatory activities at the Sierra Gorda mine are available from the Chilean government at: <http://snifa.sma.gob.cl/v2/Sancionatorio/Ficha/1359>

Best Regards,

Nicola Banton, M.Sc.E., P.Eng.
Permitting Manager