

January 29, 2013

Linda Heron
Vermilion River Stewardship
379 Ronka Road
Worthington, Ontario P0M 3H0

RE: SUBMISSION OF AMENDED TERMS OF REFERENCE FOR THE CLIFFS CHROMITE PROJECT

Dear Ms. Heron,

This letter is to inform you that Cliffs Natural Resources, through its subsidiaries and affiliates, intends to develop the Black Thor deposit in the McFaulds Lake area in Northern Ontario. The Cliffs Chromite Project (Project) consists of extracting and processing chromite ore, exclusively from the Black Thor deposit with incidental contact along the adjacent Black Label deposit, and transporting the concentrate to a Ferrochrome Production Facility (FPF). The proposed undertaking includes the construction, operation, and retirement of the following four Project components:

- 1) The **Mine** located near McFaulds Lake;
- 2) An **Ore Processing Facility**, co-located with the Mine;
- 3) An **Integrated Transportation System (ITS)** to facilitate the movement of product/supplies and Mine personnel to and from the Mine; and
- 4) A **Ferrochrome Production Facility (FPF)**, to be located in Capreol, within the City of Greater Sudbury.

The proposed Project is subject to review under the Ontario Environmental Assessment Act (EAA) and the Canadian Environmental Assessment Act. Cliffs entered into a Voluntary Agreement with the Ontario Ministry of the Environment (MOE) to subject the Project to the requirements of the provincial EAA.

Please note that Cliffs formally submitted the Amended Terms of Reference and Record of Consultation for the Individual Environmental Assessment (EA) of the Project to the MOE on January 25, 2013 to initiate the 7-week Ministry review period, during which a decision on the Amended Terms of Reference will be made by the Minister. The Amended Terms of Reference and Record of Consultation are available on Cliffs' Project website at: <http://www.cliffsnaturalresources.com>. Please note that the content of the Amended Terms of Reference remains the same as the draft version circulated for comment in November 2012.

In relation to the draft Amended Terms of Reference, we have prepared applicable responses to the concerns you have identified in your letter of December 10, 2012. These are provided in the attached disposition table for your purposes. Your feedback will be taken into account as the EA progresses, where applicable.

If you have any questions or comments throughout the MOE review period, please don't hesitate to contact Jason Aagenes at public_affairs@cliffsnr.com. Cliffs believes that community and stakeholder input is integral to the EA process and will continue to encourage meaningful involvement and participation as the EA progresses. We look forward to your continued participation in the EA process.

Sincerely,



Jason Aagenes

Director, Environmental Affairs - Ferroalloys

P 1.855.353.4766 public_affairs@cliffsnr.com

CLIFFS NATURAL RESOURCES

Cliffs Chromite Ontario Inc.

1150 Alloy Drive, Ste. 200

Thunder Bay ON P7B 6M8

Attachment – Response to Comments on Amended Terms of Reference

No.	Vermilion River Stewardship – December 10, 2012
1	<p>3.1 - Regional Study Area:</p> <p>The Amended Terms of Reference (ToR) do not define what the "regional study area" encompasses, and yet the document notes, <i>"the development/operation of the FPF could have far reaching effects from a socio-economic and/or environmental perspective"</i> [Amended ToR, Rev.01, Part 3-Attachments, 3.1, P-6]. VRS points out that the Vermilion River flows downstream through several communities, as well as through First Nation traditional territory, and all released effluent, waste and storm water will travel downstream with the potential of affecting the drinking water of thousands of stakeholders.</p> <p>VRS strongly recommends that the regional study area extend all the way out to the convergence of the Vermilion River with the Spanish River so that the public health and safety of downstream stakeholders are fully considered.</p>
2	<p>3.1 - Regional Study Area:</p> <p>Will the Regional Study Area include the entire Vermilion River from just above the proposed FPF site, all the way out to its convergence with the Spanish River? If not, what is the expected zone of influence, and how far down the Vermilion River will the EIS cover?</p>
3	<p>7.4 - Assessment of Alternatives for Mine Waste Disposal</p> <p>This issue is very confusing, because in the Main Amended ToR document it was noted, <i>"A Schedule 2 amendment to the metal/Mining Effluent Regulations (MMER) would be required to enable this design to be adopted. As such, this alternative is not practical due to the environmental consequences and schedule delays associated with such an amendment. As this is not a feasible alternative method, it is not carried forward for consideration in the EA."</i> [Amended ToR, Rev.01, Part 1 – Main – Table 6-2, P-64]; and yet in Section 7.4, Cliffs is still considering the potential option of using <i>"natural water bodies frequented by fish for the disposal of mine waste, including tailings and waste rock, and for the management of process water"</i> [Amended ToR Rev.01, Part 3-Attachments – Guidelines for the Preparation of an EIS, 7.4, P-29].</p> <p>VRS agrees that fish habitat and fish species should be a strong consideration in the EIS; however, since the Vermilion River is the source of drinking water for thousands of public and private citizens within the District of Greater Sudbury, the environmental study of both the short-term and long-term effects on human health and safety must take precedence over all other considerations.</p>
4	<p>Please clarify whether Cliffs is still considering the option of disposing of mine waste, tailings and waste rock in a natural water body frequented by fish.</p>
5	<p>What method of mine tailings and effluent disposal would not impact a natural water body frequented by fish?</p>
6	<p>What bodies of water is Cliffs considering for Tailings Impoundment Areas (TIAs)?</p>

Cliffs' Response

Comment noted. As stated in Section 7.2 of the amended Terms of Reference (ToR), the size and geographic extent of the Local and Regional Study Areas is expected to differ for each environmental study component (or discipline), due to the varying range of potential effects. Thus, each of the above study areas will be further defined with the rationale provided for all boundaries selected by study component or discipline as the environmental assessment (EA) progresses and more detailed information is known. The specific extent of each respective study area will be defined in the Environmental Impact Statement (EIS)/EA Report to be prepared to document the EA study and process.

Please see response to Comment No. 1 above regarding the size and geographic extent of the Regional Study Area. As stated in Section 7.2.3.1 of the amended ToR, the Regional Study Area for each environmental study component will encompass the maximum geographical extent (or zone of influence) in which impacts from construction and/or operation of the Ferrochrome Production Facility (FPF) may be incurred.

Please see Sections 6.2.1.8, 6.3 and 8.0, and Appendix A of the amended ToR for an up-to-date discussion of alternative methods for mine waste disposal. As noted therein, specifically Tables 6-2 and 8-1, and Table 2-5 of Appendix A, avoidance of fish-frequented watercourses was selected as the preferred mine waste management alternative.

Please note that the Section 7.4 referred to in the comment is a section of the federal EIS Guidelines, which were provided as Attachment 2 to the amended ToR to provide context for the coordinated EA process. It is noted that the EIS Guidelines are dated December 2011, and that the Project design has advanced considerably since that time.

As noted in Section 6.3 of the amended ToR, Cliffs is not considering disposing of mine waste, tailings and waste rock in a natural water body frequented by fish. A Mine Site footprint that avoids fish-frequented waters is the preferred mine waste management alternative.

As noted in Section 6.3 of the amended ToR, the preferred method of mine waste management avoids disturbing fish-frequented waters. Specifically, the preferred Mine Site layout locates the waste rock stockpiles and the Tailings Impoundment in a manner that avoids fish-frequented waters.

Cliffs is not considering utilizing any bodies of water for the Tailings Impoundment.

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7	What is the need and implications of a Schedule 2 Amendment to the Metal Mining Effluent Regulations (MMER)?
8	How will sewage and mine waste effluent be treated, and to what degree?
9	[Mine Waste Management – Effluent] Where will effluent be released, how much will be released, and by what method?

Cliffs' Response

A Schedule 2 amendment to the *Metal Mining Effluent Regulations* (MMER) would be needed to enable the disposal of mine waste in fish-frequented waters at the Mine Site. To justify such an amendment, an assessment of mine waste disposal alternatives conducted in accordance with Environment Canada's *Guidelines for the Assessment of Alternatives for Mine Waste Disposal* (September 2011) would be required. This robust and thorough assessment would need to demonstrate that disposal of mine waste in fish-frequented waters is a justifiable alternative. Due to the environmental consequences and potential schedule delays associated with such an amendment, Cliffs is not considering disposal of mine waste, tailings and waste rock in a natural water body frequented by fish, as noted in responses to Comment Nos. 4, 5 and 6, above.

At this time, Cliffs is currently carrying out a Feasibility Study which involves an evaluation of all aspects of the Project, including the management of sewage and industrial effluent at the Mine Site and Capreol FPF Site. In this regard, Cliffs has not confirmed the exact method of treatment. As noted in Section 5.2 of the amended ToR, these details will be provided in the EIS/EA Report to be prepared and submitted by Cliffs at the conclusion of the EA study.

However, at the Mine Site and FPF Site, sewage and industrial effluent generated as a result of the Project will be treated in accordance with applicable provincial and federal guidelines. In particular industrial wastewater will be discharged in compliance with Ontario Regulation 560/94: *Effluent Monitoring and Effluent Limits – Metal Mining Sector*. All sewage and industrial effluent generated as a result of the Project will be treated in accordance with applicable provincial and federal guidelines.

At this time, Cliffs is currently carrying out a Feasibility Study which involves an evaluation of all aspects of the Project, including the management of sewage and industrial effluent at the Mine Site and Capreol FPF Site. In this regard, Cliffs has not confirmed the location, volume and method to be used to release treated effluent to the environment. As noted in Section 5.2 of the amended ToR, these details will be provided in the EIS/EA Report to be prepared and submitted by Cliffs at the conclusion of the EA study.

However, at the Mine Site and FPF Site, sewage and industrial effluent generated as a result of the Project will be treated in accordance with applicable provincial and federal guidelines. In particular industrial wastewater will be discharged in compliance with Ontario Regulation 560/94: *Effluent Monitoring and Effluent Limits – Metal Mining Sector*. All sewage and industrial effluent generated as a result of the Project will be treated in accordance with applicable provincial and federal guidelines.

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10	<p>7.3.3.4 Aquatic and Terrestrial Environments:</p> <p>It is stated, "Recreational fishing is known to occur at some of the lakes and watercourses in the general vicinity of the Site." [Amended ToR, Rev.01, Part 1-Main, 7.3.3.4, P-83]</p> <p>Ontario's Smart Growth - Northeastern Ontario's Tourism Report (OSG), indicates, "In 2000, tourism was the fourth largest sector in northeastern Ontario, accounting for over 20,000 direct and 17,000 indirect and induced jobs. Over one-quarter of all businesses in the northeast are tourism related, and the Ministry of Tourism and Recreation estimates that visitor expenditures in northeastern Ontario reached \$1.3 billion in 2000."</p> <p>The Vermilion River and its numerous connecting lakes are used extensively for recreational fishing throughout the year, bringing socio-economic benefits into many communities in the form of tourism and economic development, and fish is a main staple of First Nations' diet. Any toxic or heavy metal substances contained in effluent could affect fish and public health and safety, and consequently economic development throughout the entire Vermilion River system.</p> <p>Will Cliffs include the above consideration in the Economic Impact Study?</p>
11	<p>Will the potential environmental and socio-economic impacts be considered in the Environmental Impact Study (EIS) for the entire Vermilion River, right out to its confluence with the Spanish River?</p>
12	<p>9.2.6 Navigable Waters</p> <p>The Amended ToR indicate, "the EIS must identify all waterways and water bodies that will be directly and/or indirectly affected by components of the Project, including representative width, depth, gradient, and flow" [Amended ToR, Rev.01, Part 3-Attachments, 9.2.6, P-46].</p> <p>When water levels are low during the late summer and early fall, there is a section of the Vermilion River that is extremely shallow and could experience a loss of navigability, this is just a few kilometers before the Vermilion enters into Ella Lake. Will Cliffs use this area as a part of their EIS study?</p>
13	<p>Will Cliffs respect and ensure the proposed project does not affect the navigability of the Vermilion River, even though it is not named in the selected list of lakes and rivers protected under the new Navigation Protection Act?</p>
14	<p>10.2.2.1 – Hydrology and Hydrogeology</p> <p>The Amended ToR indicates, "include a Water Management Plan for all dams, including flows and levels during construction, operation, closure and post-closure. The diversion will include diversions and impacts to aquatic systems from increased and decreased surface flows" [Amended ToR, Rev.01, Part 3-Attachments 10.2.2.1, P-59].</p> <p>Please give a detailed description of possible use and location of dams to be used at the FPF.</p>

	Cliffs' Response
d n ic	<p>Cliffs fully acknowledges the importance of the numerous lakes and watercourses in the general vicinity of the FPF Site from a socio-economic perspective. As part of the EA, a Socio-economic Assessment will be carried out to identify the anticipated effects of the Project (both positive and negative) on recreational fishing, for example. In addition, a Human Health Risk Assessment will be completed as part of the EA. This assessment will look at the potential effects of the Project on human health due to releases of chemicals of concern from the Project to the environment, that is, air, land and water. All potential routes of exposure relevant to the receptor will be evaluated including inhalation of dust, ingestion of drinking water, skin contact with soil, sediment and water, and consumption of foods including plants, berries, fish and game meat. The assessment will consider the health of human receptors who may use the area near the proposed Project. People that will be considered in the assessment include: residents of nearby communities, people carrying out traditional hunting and gathering activities in the area, people using the area for recreational activities and workers.</p>
	<p>As noted above in response to Comment No. 2, the Regional Study Area for the FPF will encompass the maximum geographical extent in which impacts from development and/or operation of the FPF may be incurred.</p>
he	<p>Please see response to Comment No. 11 above.</p>
	<p>The use of and access to navigable waterways will be considered in the EA study. In the event effects to navigable waterways are identified, applicable mitigation measures will be prescribed to minimize the overall effect.</p>
s	<p>No dams are anticipated to be used at the FPF.</p>

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15	<p>1.2 - Environmental Assessment Process - Water Extraction:</p> <p>The Amended ToR indicates, "The Agency determined that components of the project as proposed by the Proponent are described in the Comprehensive Study List Regulations of the Act, under the following sections:</p> <p style="padding-left: 40px;">S. 10. The proposed construction, decommissioning or abandonment of a facility for the extraction of 200,000 m³/a or more of ground water or an expansion of such a facility;" [Amended ToR, Rev.01, Part 3-Attachments, 10.2.2.1, P-11]</p> <p>Does the above mean that Cliffs will be extracting 200,000 m³/a or more of ground water?</p>	G fo 21
16	<p>VRS requests that the Amended Terms of Reference include detail as to total estimated volume of water to be taken for all FPF operations.</p>	A R is e o p fe
17	<p>How much surface and ground water will be taken from local water bodies by the FPF on a daily basis?</p>	P
18	<p>What will be the maximum amount of water extracted [by the FPF] during low, medium and high flows?</p>	P
19	<p>What body of water will be used for water taking?</p>	A w
20	<p>Climate Change:</p> <p>The Amended ToR states, "a description of hydrological regimes, including monthly, seasonal fluctuations and year-to-year variability of all surface waters and assess normal flow, flooding, and drought properties of lakes and streams" [Amended ToR, Rev. 1, Part 3-Attachments, 9.1.3.1, P-39].</p> <p>Will climate change be considered in the socio-economic and environmental sustainability of the project to determine its feasibility, and consequent mitigation measures – both short and long-term?</p>	T C S P c G

Cliffs' Response

Groundwater will be withdrawn at the Mine Site by dewatering of the open pit so that ore is accessible for extraction. It is anticipated that the rate of groundwater withdrawal at the Mine Site could exceed 200,000 m³ per year.

As stated in the Ontario Ministry of the Environment's (MOE) *Code of Practice: Preparing and Reviewing Terms of Reference for Environmental Assessments in Ontario* (2009), "a terms of reference is not an environmental assessment. It outlines what work and studies will be done during the environmental assessment stage. The proponent does not need to do the work or studies at the terms of reference stage". The total estimated volume of water to be taken for FPF operations will be provided within the EIS/EA Report to be submitted to the Ministers of the Environment (provincial and federal) for review and an EA decision at the conclusion of the EA study.

Please see response to Comment No. 16 above.

Please see response to Comment No. 16 above.

At this time, Cliffs is considering the Roberts River, Vermilion River and groundwater wells as potential water sources at the FPF Site, as documented in Section 6.2.3.2 of the amended ToR.

The EA will include consideration of climate change in accordance with *Incorporating Climate Change Considerations in Environmental Assessment: General Guidance for Practitioners* (Agency 2003). Specifically, the following considerations will be included:

- How will potential changes in climate affect the infrastructure associated with the Project?
- How will the operation of the Project affect climate change (e.g., the Project's contribution to climate through the emission of greenhouse gases)?

The federal EIS Guidelines (December 2011) also identify specific requirements for consideration of climate change in the EA. Section 10.2.1.2 of the EIS Guidelines states "with respect to Greenhouse Gases (GHGs), the EIS shall:

- discuss the analytical techniques and relevant policies considered in the EA;
- list and estimate the emissions of GHGs predicted for all relevant Project sources and compare to other similar mining and FPF projects;
- discuss possible changes in the climate;
- identify mitigation measures considered to control Project GHG emissions; and
- discuss the sensitivity of the Project to changes in specific climate and related environmental parameters, including total annual rainfall, total annual snowfall, frequency and/or severity of precipitation extremes, lake levels and stream flow."

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21	<p>10.3.6 Human Health:</p> <p>The Amended ToR indicates, "water supply and watersheds, including the effect on water supply and quality for local residents, communities of the Project, as well as potential site and potential health risks from discharges (if any)" [Amended ToR, Rev. 1, Part 3-Attachments 10.3.6, P-69].</p> <p>What will be the boundaries of the EIS area in order to determine possible effects on human health?</p>
22	<p>3.0 Description of the Sudbury Site:</p> <p>The Amended ToR indicates, "A Portion of the Site previously hosted iron ore mining operations, and is considered a brownfield" [Amended ToR, Rev. 1, Part 3-Attachments, 3.0 Description of the Sudbury Site, P-3]</p> <p>Is it true that the actual FPF is now planned to be located on a greenfield site, rather than the original brownfield site?</p>
23	<p>3.3 Potential Environmental Effects:</p> <p>VRS suggests that cumulative effects should also take into account the present uses, and should read, "As part of the assessment, consideration shall be given to confirming whether environmental effects of the Project could combine with effects of other past, <u>present</u> and future undertakings (cumulative effects)."</p>
24	<p>The Amended ToR indicates, "Consideration shall be given to input from potentially affected and/or interested persons, including Aboriginal peoples" [Amended ToR, Rev. 1, Part 3-Attachments, 3.3, Potential Environmental Effects, P-9]. VRS is requesting that we be included on this list for further input.</p>

	Cliffs' Response
	Please see responses to Comment Nos. 10 and 11 above.
	As documented in Sections 6.2.3 and 7.2.3 of the amended ToR, the proposed FPF Site is considered a former mining/logging area and is currently comprised of both Crown and private lands. The western portion of the Site is comprised primarily of private lands. This portion of the Site previously hosted iron ore mining operations (Moose Mountain Mine) and currently hosts an aggregate extraction operation. Conversely, the lands on the eastern portion of the Site, which is Crown land, were historically logged. It is Cliffs' understanding that these lands are part of the Sudbury Forest and are managed by the Vermilion Forest Management Company Ltd. (VFM), a partnership of eight companies licensed under the authority of Sustainable Forest Licence No. 542442. Review of the Sudbury Forest Management Plan indicates that these lands are characterized by forest regrowth and regeneration following previous logging operations (VFM 2010).
As	Please note that the cumulative environmental effects assessment proposed for the EA will consider past, present and/or reasonably foreseeable future undertakings (or projects), as outlined in Section 8.3 of the amended ToR.
	Comment noted. Please note that Vermilion River Stewardship has been added to the list of interested persons/parties.