

April 18, 2001

Ms. Dionne Filiatrault
Technical Advisor
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NT
X0E 1J0

Dear Ms. Filiatrault:

Re: Cullaton Lake – Acres International request for additional information

The following information is provided to respond to the March 20, 2001 letter from R. Halim of Acres International requesting further information on the Shear Lake project.

1. Watershed Study and Hydrology of the site

Water quality samples have not been collected in the small lakes between Shear Lake and the Kognak River. However, one set of samples was collected from Shear Creek in October, 2000. The results of this sample set (attached) do not show metals highly elevated over the background sample collected from the Kognak River, except for iron (0.67 mg/l versus 0.03 mg/l) and magnesium (1.4 mg/l versus 0.8 mg/l). pH in the creek was 4.22 versus 7.35 in the river. The downstream samples from the river do not show any significant differences in pH or these metals compared to upstream background.

It is not known if the small lakes have fish or other aquatic life as they have not been surveyed. However, since Shear Lake did have a small fish population prior to dewatering, it may be assumed that the other small lakes downstream may also have some fish populations.

There is no potential for overland flow from Shear Lake to Cullaton Lake. Groundwater studies have not been conducted on the area so comments on underground flows can not be made. However, since there is no surface flow connection, water quality monitoring of Cullaton Lake is not required as the Shear Lake project does not have any effect on Cullaton Lake.

No records of water level exist for Shear Lake therefore no comments can be made on flooding. However, even if the lake floods, there should be minimal or no change to water quality. Flooding would provide a greater volume of water, thus diluting any elements of concern.

The gravel dams will be left in place as they are now part of the lake system.

As stated above, no records exist for Shear Lake water level so comments on fluctuations can not be made. However, the outlet level of the lake is controlled by topography and will set a minimum lake elevation. Through proper management of the rock disposal operation, Homestake Canada Inc. (HCI) can and will ensure that all rock is at least 1 meter below the minimum lake elevation set by topography. We have had

experience with this at our Eskay Creek operation in B.C. and do not envision any problems in achieving this goal.

2. Effects on Aquatic Life

The presence or absence of fish has not been confirmed. The problem with the Shear Lake waste rock came to our attention in the fall of 2000, which was too late for a field survey to determine the presence of fish.

As stated in Section 1, the October, 2000 samples show that the current configuration of the Shear Lake Waste Rock is having little or no impact on the chemistry of the Kognak river. Cyanide was not used at the Shear Lake portion of the project as this was an underground mine site only. Cyanide was used at the mill several kilometres away. Thus, cyanide is not an issue at Shear Lake.

Water quality at Cullaton Lake will not be affected by the project as there is no surface flow connection between the two.

3. Treatments of Water in the Lake as part of a Contingency Plan

HCI's intention would be to add lime as a treatment during the disposal operation only. HCI does plan to sample the lake water in 2002 and, if necessary, would add lime again.

4. Vacated Waste Rock Dump sites

As with all areas covered by the approved Abandonment and Restoration plan, the vacated waste dumps will be contoured to stabilize them and prevent erosion. Once the rock is removed, the underlying soil will be sampled to ensure that all elevated metals have been removed.

5. Emergency Spill Response Plan

The Emergency Spill Response Plan will be updated to include the requested information. This will be done once all contractors for the project have been engaged and the reporting/command structure is fully known. A copy of this plan will be submitted to the Nunavut Water Board prior to work commencing.

If there are any questions on the above, please contact the undersigned at 604-827-4410 or vbetts@homestake.com.

Yours truly,
Homestake Canada Inc.

Vernon Betts
Manager, Environment, Health and Safety