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Kugluktuk

Sonia Aredes, P.Eng.
Technical Advisor
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0B1J0

Bathurst Inlet
Kingaok

July 29th, 2016

Bay Chimo
Umingmaktok

Re: Doris North Type A Water Licence Amendment Application by TMAC Resources; KIA Technical Submission and Reclamation Security.

Dear Sonia Aredes, the KIA has completed its review of the TMAC Resources Inc. Amendment Application for the Type A Water Licence AM-DOH1323 for the Doris North Project.

Cambridge Bay
Ikaluktutiak

Enclosed is our Technical Submission on TMAC's amendment application. As indicated in our pre-conference hearing all technical issues have been resolved with TMAC. However, one issue still remains which is the Reclamation Security for the Doris North Project.

Gjoa Haven
Okhoktok

Currently, the KIA has \$3.49 million in letters of credit from TMAC and a Corporate Guarantee of \$8.0 million under Schedule K of the Commercial Lease for Doris North for a total of \$11.49 million in security. In addition to this, KIA has a General Security Agreement (GSA) under Schedule I of the Commercial Lease, which provides KIA a claim to TMAC's assets in support of the Corporate Guarantee.

Taloyoak

Kugaaruk

KIA considers this amount of security to be inadequate for the Doris North mine site given the current level of development and the proposed amendment to the project certificate and Type A water license.

Under Article 12.2 of the Framework Agreement between KIA and TMAC, closure and reclamation costs were to be assessed and total Reclamation Security determined by an independent Reclamation Security Expert at TMAC Resources Inc.'s expense. This independent Reclamation Security Expert was to be jointly selected by KIA and TMAC.

TMAC recently provided its reclamation cost estimate information and comparison to the INAC reclamation cost estimate to KIA. These reclamation cost estimates were provided to KIA's engineering consultants for review.

The major conclusions of our engineering consultants are as follows:



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- The quantum of \$28.94 million in reclamation cost for Doris North mine site is reasonable and the more accurate estimate given its unit costs are based on submitted contractor rates and work experience in reclamation.
- The split between security for land and water is \$24.20 million and \$4.74 million respectively. This means that KIA could hold 84% of the quantum for land and that INAC should hold 16% for water security.
- Residual risks that can lead to cost escalation are identified for the tailings cover, tailings, Interim Dyke, the South and North Dam. A list of questions has been provided by our consultants to us for clarification with TMAC.

Given the current situation on the issue of reclamation security, the KIA requests that the NWB leave this issue open for further submission of information by KIA to the Board. The KIA hopes to fully resolve security reclamation requirements with both TMAC and INAC in advance of the hearing but needs additional time to do so. We expect that this work can be done in time for final submissions on closure and reclamation which take into account our engineering consultant's review.

The KIA seeks this time to discuss with TMAC a contingency amount for identified residual risks and cost escalators that can be added to the current \$28.94 million for reclamation work.

The KIA also seeks time to discuss with INAC the land and water split of the quantum based on our engineering consultants review. The basis of our discussion with INAC would be the 84% and 16% split between land and water security holdings.

Yours Truly

John Roesch, P.Eng.
Senior Hope Bay Project Officer
Department of Lands and Environment
Kitikmeot Inuit Association