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December 17, 2014

Ryan Barry, Executive Director
Nunavut Impact Review Board
PO Box 1360
Cambridge Bay, NU
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Re: Madrid Advanced Exploration Program Type B Water Licence Application

Dear Mr. Barry,

TMAC Resources Inc. ("TMAC") is applying to the Nunavut Water Board ("NWB") for a Type B Water Licence in order to undertake advanced exploration in the Madrid mining district on the Hope Bay Belt (the "Madrid Advanced Exploration Program"). It is noted there is currently no approved land use plan applicable in the Kitikmeot region and so the enclosed materials have been provided directly to NWB and the Nunavut Impact Review Board ("NIRB") for consideration.

Description of Application Package

The following materials are enclosed:

A supplemental report outlining the Madrid Advanced Exploration Program Type B Water Licence Application.

1. Introduction,
2. Minimum Application Requirements,
3. General Water License Application,
4. Project Description,
5. Environment and Social Setting,
6. Water Use,
7. Waste Disposal,
8. Monitoring and Management Plans,
9. Reclamation and Closure,
10. Identification of Potential Effects and Proposed Mitigation,
11. Public Consultation, and
12. Conclusions.

The material in the supplemental report and the application forms are accompanied by appendices with supporting information. Specifically the appendices cover the following topics:

- Appendix 2: Minimum Requirements,
- Appendix 3: General Water License Application,
- Appendix 4: Project Description,
- Appendix 5: Environment and Social Setting,
- Appendix 7: Waste Disposal,
- Appendix 8: Management Plans,
- Appendix 9: Reclamation and Closure, and
- Appendix 10: Predicted Environmental Effects,

(collectively, the “Application”).

Description of Madrid Advanced Exploration Program

As described in the enclosed materials, the Type B Water Licence, if issued by the NWB, will authorize TMAC to use water and deposit waste in support of an advanced exploration program in the Madrid area of the Hope Bay Belt. A detailed description of the Madrid Advanced Exploration Program is set out in section 4 of the Application and key aspects are summarized below.

Bulk samples will be extracted from two portals (Madrid North and Madrid South) which are planned to be completed sequentially with initial work completed at Madrid North. This approach means that the same equipment and personnel can be used at both areas and the experience with collecting the bulk sample at Madrid North will help plan and implement the mining to extract the bulk sample at Madrid South. The exploration plan for the Project includes diamond drilling on surface and underground, bulk sampling through underground mining methods, field mapping and sampling, airborne/ground/downhole geophysics and associated air and road access and associated transportation of goods, supplies and mined material, and support infrastructure such as access portals, ramps, waste and ore stockpiles, water and waste management structures.

Over the past twenty-five years, the Hope Bay Belt has undergone considerable exploration and development activities by TMAC and previous operators. The Hope Bay Belt has significant existing infrastructure including air strips, roads, fuel storage, a port facility, power plants, administration, geology and lab buildings, and underground development at the Doris and Boston areas. In order to limit footprint and to enhance Belt-wide efficiency, the Madrid Advanced Exploration Program will utilize some of the existing infrastructure and systems (primarily, camp facilities, explosives management areas, and the existing jetty, all-weather road and airstrip), as set out in detail in the enclosed materials.

The Madrid Advanced Exploration Program will take place entirely on Inuit Owned Lands (“IOL”) and discussions between TMAC and Kitikmeot Inuit Association (“KIA”) regarding surface tenure are advanced. These KIA IOL tenures will address KIA reclamation and closure requirements, including reclamation bonding. While TMAC believes that the Madrid Advanced Exploration Program will not meet the definition of “Major Development Project” under Article 26, section 26.1.1(b) of the NLCA, Inuit Impact and Benefit Agreement (“IIBA”) negotiations are underway between TMAC and KIA to ensure Inuit receive benefits from TMAC’s activities on the Hope Bay Belt. TMAC is also in discussion with KIA with respect to a Framework Agreement for surface

access to the Hope Bay Belt and a Mineral Exploration Agreement with NTI is in place. TMAC continues to enjoy cordial relations with these bodies and all three sets of discussions are well advanced toward a conclusion.

Relationship between Madrid Advanced Exploration Program and Phase 2 Project

A project proposal for Phase 2 of the Hope Bay Belt, which is intended to cover the reasonable and foreseeable proposed incremental development of the Belt over the next approximately 10 years, was submitted to NIRB in December 2011 and NIRB EIS Guidelines for the Phase 2 Project were issued in December 2012. Phase 2 may include the development of the Madrid and/or Boston areas, including infrastructure and waste management facilities to support mining and processing in both districts.

It will be necessary to commence the Madrid Advanced Exploration Program before the expected completion of the Phase 2 Part 5 NIRB review. As such, TMAC has considered the following sections of Article 12 of the NLCA:

12.10.1 - *Projects Not to Proceed* No licence or approval that would be required in order to allow a proposed project to proceed shall be issued in respect of a project that is to be screened by NIRB until the screening has been completed and, if a review pursuant to Part 5 or 6 is to be conducted, until after that review has been completed and a NIRB project certificate has been issued by NIRB pursuant to these provisions.

12.10.2 – *Exceptions* Notwithstanding Section 12.10.1, where a project proposal has been referred for review pursuant to Part 5 or 6, approvals or licences for exploration or development activities related to that project may be issued if:

- (a) the activity falls within Schedule 12-1; or
- (b) the activity can, in the judgement of NIRB, proceed without such a review.

At this time, the only territorial or federal permit that TMAC has identified as required in order to proceed with the Madrid Advanced Exploration Program is a Type B Water Licence from the Nunavut Water Board. TMAC notes that pursuant to NLCA Schedule 12-1(5), “*Water uses that do not require a public hearing under Section 13.7.3*” are exempt from the requirement for screening.

As such it is TMAC’s view that the exception set out at 12.10.2(a) would apply to the Madrid Advanced Exploration Project, however, we are writing to seek confirmation of this view from NIRB. To assist in the NIRB’s processes, we have provided materials that are responsive to the requirements set out in NIRB Guide 9, “*DRAFT Exceptions from the Review Process*” as well as the NIRB Part 1 and Part 2 Forms at Appendix 10-A. With specific regard to the factors set out in the draft Guide, TMAC notes the following:

- *Objectives of Exploration and Rationale to Proceed to Permitting Prior to Phase 2 and Assessment of Alternatives*

Previous underground developments at Doris (2010-2011) and Boston (1996-1997) provided critical access to various parts of the mineralization in order to collect bulk samples used to evaluate the character and metallurgical nature of the ore. Underground

development and bulk sampling is a necessary step in the advanced exploration process to determine the economic viability of the mineralization. The Madrid area is the only district in the Hope Bay Belt without the benefit of a bulk sample program.

As set out in the enclosed materials, the Madrid Advanced Exploration Project will provide essential data that will be required to assess the feasibility for the Phase 2 Project as well as the planned site layout. The nature of the ore deposits in the Madrid area differ from those at Doris and Boston and surface exploration will not provide adequate exploration data and it is necessary to proceed to underground advanced exploration, specifically the collection of a bulk sample at both the Madrid North and Madrid South sites. Access to the underground is needed to better understand the formation of the deposit itself, to explore from underground, to test mining methods, underground rock conditions, and assess mineral recovery methods. For all of these reasons, the Madrid Advanced Exploration Program must proceed in advance of the Phase 2 Project.

Detailed consideration of alternatives to the Madrid Advanced Exploration Program, including the “no-go” alternative, are set out at section 10.10 of the Application.

- *Volumes of Fuel/Materials to be Shipped and Stored in Support of the Madrid Advanced Exploration Project*

There will be two locations where fuel will be stored at Madrid North. A 75,000 L double-walled tank will be located at the Fuel Transfer Station on the Infrastructure Pad and a 60,000 L double-walled fuel storage tank will be located at the Fuel Storage Facility on the Vent Raise Pad. Similar volumes will be required at Madrid South and will be stored in the same manner. Further details regarding fuel handling and storage can be found at s. 4.2.10.3 and s. 4.3.10 of the enclosed Application.

- *Implementation Schedule for Madrid Advanced Exploration Project*

In the enclosed materials, TMAC requests a 10 year licence term. This includes preparation and construction activities over a period of 2 to 3 years, operation for 2 to 3 years, closure 1 to 2 years, and post closure of 2 years. If additional time is needed to accommodate further post closure monitoring, the water licence will be renewed and amended at that time. The requested issuance of the Type B Water Licence is no later than Q3 2015 so procurement can occur in Q3 2015 and work start Q4 2015-Q1 2016. The bulk sample program at Madrid North and Madrid South is planned to be completed sequentially with initial work completed at Madrid North. Surficial exploration diamond drilling will occur throughout the 10 year Project life.

- *Impact Assessment and Monitoring and Management Plans*

As set out in the enclosed materials at Section 10 of the Application, TMAC has not identified any potential for significant ecosystem or socio-economic impacts arising from the Madrid Advanced Exploration Project activities.

As set out in Section 8 of the Application, Table 8.1-1 summarizes the plans currently in place for Doris North Project that will be updated in consideration of the Madrid

Advanced Exploration Program. The Hope Bay Belt Quarry Management Plan has already been updated and included in this application (Appendix 8C). The other existing plans require revision in order to capture the scope and/or location of the proposed activities. TMAC proposes to update this plans at least 60 days prior to the execution of any proposed activities associated with the Madrid Advanced Exploration.

In addition to the existing plans that will be updated to incorporate the Madrid area, TMAC has identified stand-alone plans to support this application that are also summarized in Table 8.1-1:

- Madrid North and South Water Management Plan (Appendix 8A);
 - Madrid North and South Waste Rock Management Plans (Appendix 8B); and
 - Closure and Reclamation Plan (Section 9).
- *Site Plans and Supporting Engineering*

Detailed site plans showing the nature and location of the Madrid Advanced Exploration Project activities for each area potentially affected by the activities at both the local and regional level can be found at Figure 3.5-1 and 3.5-2 of the Application.

Preliminary engineering designs are reflected at Figure 4.2-1, 4.3-1, 6.4-1 through 6.4-3 of the enclosed Application. Issued for construction drawings will be submitted to the NWB at least sixty (60) prior to commencement of construction of facilities. Once construction is completed, Construction Summary Reports including as-built drawings will be submitted to the Board within ninety (90) of start-up of the facility. Issued for construction documents and construction summary report will be stamped by a Professional Engineer licenced to practice in Nunavut.

- *Classification of Madrid Advanced Exploration Project Facilities*

All of the facilities included in the Madrid Advanced Exploration Project are required in order to proceed with the advanced exploration activities and are not a “pre-build” for the Phase 2 Project. Although the infrastructure and activities presented will be a stand-alone program, Phase 2 development will be planned, as much as possible, to incorporate use of similar footprint and equipment to the Madrid Advanced Exploration Project. Site facilities will be designed for long term use and should the Madrid mining projects be feasible, the proposed advanced exploration surface development will be incorporated into the permanent facilities to the extent possible, so as to minimize overall impact and footprint.

- *Closure and Reclamation*

In the event that TMAC determines it will not proceed with the Phase 2 Project or Phase 2 Project permits are not obtained, TMAC would undertake the reclamation and closure of the Madrid Advanced Exploration Project facilities in accordance with the enclosed Reclamation and Closure Plan enclosed at Appendix 9. TMAC would post any required security or performance bond as determined by the Nunavut Water Board in advance of

undertaking the planned Madrid Advanced Exploration Project activities. Further details regarding reclamation and closure are set out at section 9 of the Application.

- *Public Consultation re Madrid Advanced Exploration Program*

In December 2014, TMAC personnel visited the five communities of Kugluktuk, Cambridge Bay, Gjoa Haven, Taloyoak and Kugaaruk. TMAC brought information on the previous year's activities at Hope Bay, its exploration results for 2014, the environmental performance and future permitting activities of the company. Specifically the proposed Madrid Advanced Exploration Program was discussed in detail in public meetings in all 5 communities. In addition, meetings and discussions were held with regulators and municipal leaders. Comments and questions generally pertained to employment opportunities and potential effects on the land and local environment. This feedback will be incorporated into future discussion and considered during on-going Project Planning.

Conclusion

TMAC looks forward to working cooperatively with all parties involved as the Madrid Advanced Exploration Program advances through the regulatory process.

Should NIRB require any additional information or clarification relating to the Madrid Advanced Exploration Program or the enclosed materials, please do not hesitate to contact me at john.roberts@tmacresources.com or at 416.628.0216.

Sincerely,



John Roberts
Vice President, Environmental Affairs

TMAC Resources Inc.

cc to NWB, KIA, NTI