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September 25, 2017

Ida Porter
Licencing Administrator
Nunavut Water Board
PO Box 119
Gjoa Haven, NU X0B 1J0

**Water Licence No. 2BB-MAE1727 – Indigenous and Northern Affairs Canada's (INAC)
Comments on TMAC Resources Inc. (TMAC)'s Amendment No. 1 Application**

Dear Ms. Porter;

TMAC has reviewed the letter from Sarah Forte of INAC received by the NWB on July 7, 2017 commenting on TMAC's application for amendment No. 1 to Type B Water Licence 2BB-MAE1727 (the Licence).

TMAC appreciates INAC's comments, and feels some additional clarifications will be helpful to the deliberations of the Nunavut Water Board (NWB) in considering the proposed amendment. Below in order of occurrence are TMAC's comments and clarifications.

INAC Comment Reference	TMAC Clarification
1. Timing to post security	<p>With respect to INAC comment (a), INAC's comment is acknowledged. For clarity, surface exploration will continue in accordance with Type B Water Licence 2BE-HOP1222. TMAC has suggested specific project commencement milestones in its revised language below. TMAC's understanding is that with these proposed changes, commencement will be acceptably defined.</p> <p>With respect to INAC comment (b), the suggested 30 day timeline is consistent with the existing licence timeline for posting security. However, as a result of discussions between INAC and TMAC, TMAC now proposes that rather than the original suggested 30 day timeline, the amended licence require posting of reclamation security with the Minister at least 60 days in advance of project commencement.</p> <p>With respect to INAC comment (c), for clarity TMAC is not suggesting that the licence include a required formal annual</p>

INAC Comment Reference	TMAC Clarification																
	<p>security review process. However, the NWB should be empowered to consider adjustments to the amount of security in future at TMAC's request without need for an amendment application, provided TMAC provides evidence supporting any proposed reduction or increase. As INAC notes, the existing wording at Part C, Item 6 may be sufficient for the NWB to approve changes to the security without need for an amendment application.</p> <p>In light of INAC's comments and subsequent discussions between INAC and TMAC, TMAC now suggests the following revised wording to Part C, Item 1:</p> <p>"Unless otherwise revised by the Board in accordance with Part C, Item 6, the Licensee shall, furnish and maintain with the Minister, in a form that is satisfactory to the Minister:</p> <p>(a) not less than 60 days prior to the commencement of Madrid North, reclamation security in the amount of \$4,042,000; or</p> <p>(b) not less than 60 days prior to the commencement of Madrid South, reclamation security in the amount of \$3,089,000.</p> <p>Table 1: Summary of Recommended Split of Security Amount for Licence 2BB-MAE1727</p> <table><tr><th>Cost Items</th><th>Existing Overall Security Amount</th><th>Proposed Phase 1 (Madrid North) Security Amount</th><th>Proposed Phase 2 (Madrid South) Security Amount</th></tr><tr><td>Direct Costs</td><td>\$ 4,425,000</td><td>\$ 2,326,000</td><td>\$ 2,099,000</td></tr><tr><td>Indirect Costs</td><td>\$ 2,706,000</td><td>\$ 1,716,000</td><td>\$ 990,000</td></tr><tr><td>Total Cost</td><td>\$ 7,131,000</td><td>\$ 4,042,000</td><td>\$ 3,089,000</td></tr></table> <p>Source: \\van-svr0\Projects\01_SITES\Hope.Bay\1 CT022.016_2017_On-Site_Compliance_Support\Task%20425_ClosureCostEstimateUpdates\Madrid\MadridClosureCostEstimate_1 CT022.001.410_Rev21_PL_AB.xlsx</p> <p>For clarity, unless otherwise approved by the Board:</p> <p>Commencement of Madrid North is defined as the initiation of construction of any new roadway from the existing Windy Road to the proposed Madrid North site, for the purpose of advancing Madrid North construction or operations.</p>	Cost Items	Existing Overall Security Amount	Proposed Phase 1 (Madrid North) Security Amount	Proposed Phase 2 (Madrid South) Security Amount	Direct Costs	\$ 4,425,000	\$ 2,326,000	\$ 2,099,000	Indirect Costs	\$ 2,706,000	\$ 1,716,000	\$ 990,000	Total Cost	\$ 7,131,000	\$ 4,042,000	\$ 3,089,000
Cost Items	Existing Overall Security Amount	Proposed Phase 1 (Madrid North) Security Amount	Proposed Phase 2 (Madrid South) Security Amount														
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Total Cost	\$ 7,131,000	\$ 4,042,000	\$ 3,089,000														

INAC Comment Reference	TMAC Clarification
	<p>Commencement of Madrid South is defined as initiation of road building to the proposed Madrid South site, for the purpose of advancing Madrid South construction or operations."</p> <p>TMAC's consultant engineers SRK Consulting have prepared a memorandum proposing a revised allocation of the total \$7,131,000 reclamation security as between Madrid North and Madrid South, based on direct and indirect costs. This memorandum is attached to this letter.</p>
<p>2. Addition of consideration of potential security posted to the Kitikmeot Inuit Association</p>	<p>The wording was suggested as it is consistent with other water licences recently issued by the NWB. INAC has noted that the NWB is already obliged to take different security arrangements with Inuit organizations into account by Section 76.1 of the <i>Nunavut Waters and Nunavut Surface Rights Tribunal Act</i>, and that it is therefore redundant and unnecessary to repeat similar wording in the licence.</p> <p>Provided the NWB agrees with the reasoning set out in INAC's letter, explicit licence wording may not be necessary in order to permit the NWB to adjust security required under the Licence where TMAC provides evidence of equivalent security with the KIA. Such applications should proceed on NWB review and approval and TMAC and KIA should not be required to file an associated amendment application.</p>

TMAC thanks the NWB in advance for its consideration of these suggestions.

Sincerely,



John Roberts

Vice President Environmental Affairs

cc. (electronic)

Sara Forte, INAC

John Roesch, KIA

Oliver Curran, TMAC

Memo

To:	John Roberts, PEng, Vice President Environment	Client:	TMAC Resources Inc.
From:	Ameeta Bhabra	Project No:	1CT022.014
Reviewed By:	Maritz Rykaart, PhD, PEng	Date:	August 1, 2017
Subject:	Madrid Bulk Sample Licence 2BB-MAE1727: Recommended Security Amount Split between Madrid North and Madrid South		

In accordance with the Nunavut Water Board Licence 2BB-MAE1727, the Board has accepted a security amount of \$7,131,000, as proposed by TMAC Resources Inc. for the reclamation and closure of all facilities associated with the Madrid Advanced Exploration Program (Nunavut Water Board 2017). TMAC wishes to post security in two phases, with Phase 1 associated with Madrid North, and Phase 2 associated with Madrid South. This memorandum defines the recommended split of the security amount in terms of these two phases as described in Table 1. It is important to note that notwithstanding the proposed split, the overall security amount remains unchanged as these projects would be closed consecutively as part of a single contract.

Table 1: Summary of Recommended Split of Security Amount for Licence 2BB-MAE1727

Cost Items	Existing Overall Security Amount	Proposed Phase 1 (Madrid North) Security Amount	Proposed Phase 2 (Madrid South) Security Amount
Direct Costs	\$ 4,425,000	\$ 2,326,000	\$ 2,099,000
Indirect Costs	\$ 2,706,000	\$ 1,716,000	\$ 990,000
Total Cost	\$ 7,131,000	\$ 4,042,000	\$ 3,089,000

Source: \\van-svr01\Projects\01_SITES\Hope.Bay\1CT022.016_2017_On-Site_Compliance_Support\Task\20425_ClosureCostEstimateUpdates\Madrid\MadridClosureCostEstimate_1CT022.001.410_Rev21_PL_AB.xlsx

Madrid North and Madrid South are two distinctly separate projects separated by a 5 km all weather road. Therefore, insofar as Direct Costs are concerned the split between the two projects is clearly defined by the respective project boundaries. Costs associated with reclamation and closure of the all weather road are assigned to Madrid South, as the road is not needed until Madrid South will be developed.

The proposed split of Indirect costs are summarised in Table 2.

Table 2: Summary of Recommended Split of Indirect Costs between Madrid North and Madrid South

Indirect Cost Items	Existing Overall Security Amount	Proposed Phase 1 (Madrid North) Security Amount	Proposed Phase 2 (Madrid South) Security Amount	Rational for Recommended Split
Contingency	\$ 720,000	\$ 367,000	\$ 353,000	Contingency assumes 20% of Direct Costs.
Mobilization and Demobilization	\$ 712,000	\$ 712,000	\$ -	The reclamation and closure activities for both Madrid North and Madrid South are similar, requiring the same construction fleet. As a result, the entire mobilization and demobilization cost needs to be carried under Phase 1.
General and Administration	\$ 34,000	\$ 17,000	\$ 17,000	The reclamation and closure activities for both Madrid North and Madrid South are similar, requiring the same staff compliment and associated administration costs. Because closure activities for the two sites will be carried out consecutively these costs are split equally.
Field support	\$ 30,000	\$ 15,000	\$ 15,000	
Hydrocarbon decontamination	\$ 150,000	\$ 75,000	\$ 75,000	The reclamation and closure activities for both Madrid North and Madrid South are similar, carrying the same risks associated with hydrocarbon contamination and requiring similar post closure monitoring. Because closure activities for the two sites will be carried out consecutively, these costs are split equally.
Post-closure Monitoring	\$ 1,060,000	\$ 530,000	\$ 530,000	
Total Indirects	\$ 2,706,000	\$ 1,716,000	\$ 990,000	

Disclaimer—SRK Consulting (Canada) Inc. has prepared this document for TMAC Resources Inc.. Any use or decisions by which a third party makes of this document are the responsibility of such third parties. In no circumstance does SRK accept any consequential liability arising from commercial decisions or actions resulting from the use of this report by a third party.

The opinions expressed in this report have been based on the information available to SRK at the time of preparation. SRK has exercised all due care in reviewing information supplied by others for use on this project. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information, except to the extent that SRK was hired to verify the data.

References

SRK Consulting (Canada) Inc., 2014. Hope Bay Project: Madrid Advanced Exploration Program: Conceptual Closure and Reclamation Plan. Technical Memorandum Prepared for TMAC Resources Inc. Project Number: 1CT022.001.410. October 31, 2014.

Nunavut Water Board, 2017. Water Licence No. 2BB-MAE1727: NWB Response to TMAC letter with respect to Reclamation Security Provisions. Letter to John Roberts, TMAC Resources from Karen Kharatyan. File 2BB-MAE1727 / Part C, Item 1. July 2.