

April 12, 2010

Bernie MacIsaac, Director of Operations
Indian and Northern Affairs

Luis Manzo, Director of Lands
Kivalliq Inuit Association

Dionne Filiatrault, Executive Director
Nunavut Water Board

RE: Water License 2BB-MEL0914 (Meliadine) - Security Deposit and Double

Dear Madam and Sirs,

As a company with a long history in the Kivalliq, we hoped that by the time the Meliadine project got to the mine permitting stage that the regulatory system in Nunavut would be functioning smoothly. It has now been tested several times and while there are still some bugs to work out, it is getting better. The coordinated approach to mine permitting being considered by NIRB and NWB is an excellent approach to simplifying the permitting process. The fact that there are meetings between the various groups to discuss the issues are in themselves significant progress.

The double bonding issue, which this note addresses, involves jurisdictional duplication. While we fully appreciate the difficulty in trying to change a system that was imposed on each group, there are always ways to negotiate around an impasse if all participants are willing to change. Comaplex respectfully requests that all efforts be made by all parties to resolve this long standing issue.

Double Bonding

Comaplex recognizes that security deposits/bonding are necessary instruments to ensure that governments and Inuit organizations are not saddled with the cost of cleaning up mineral exploration and development sites in the event of abandonment by, or bankruptcy of, the mining proponent. That being said, we cannot accept, nor afford, to pay for something twice – few companies can.

The current demand on Comaplex, as we understand it, is that we are required to keep the KivIA bond (\$925,000) in place and put up a second bond of \$639,000 to INAC for exactly the same reasons resulting in a double bond total of \$1,564,000.

To get to the point, our latest Water License (2BB-MEL0914) amendment dated July 31, 2009 states the Nunavut Water Board is relying on a study done prior to its previous decision on the

Doris project to conclude it has jurisdiction to determine total land and water related security. It has also been relayed to us that it is INAC's policy to estimate total reclamation costs, to provide a water security estimate to the NWB with the expectation that the NWB will accept and set the water related security to be held by INAC. I do not know the intricacies of the various clauses that are causing the present problems, but on IOL at the present time, both INAC and the KivIA are presently determining a number for land and water security bonding and both are requesting that separate security be held with each of them.

Our Water License amendment indicates that since there is no agreement between the two holders of security (the KivIA and INAC), the NWB is not prepared to split the land and water security. It goes on to encourage the two security holders to work towards a solution on how the security is held.

Not to oversimplify what is obviously a complex issue, but would it not make sense for INAC to set and hold land security on federal lands, the KivIA to set and hold land security on IOL surface and sub-surface lands, and the NWB to set water security in all instances with the KivIA and INAC as co-beneficiaries to the water security bond? Alternatively, one of the two could hold the water security for both parties. The goal of the bond, after all, is to clean up the site in a worst case scenario; nothing else.

To resolve this will require a certain level of trust backed up with a written agreement between INAC and KivIA as to who can access the money, how it is to be allocated, who does the work, when it would be used, etc. Such criteria could perhaps include exploration, pre-development (bulk sampling) and development levels of engagement. We encourage dialogue between the KivIA and INAC to determine and implement such criteria.

Adjustment of the Proposed Security

The Water License also states that under Part B, Item 3, Comaplex can request that the Board review the amount of security.

The basis of the proposed NWB security bond for Meliadine was the RECLAIM model calculation carried out by INAC in May 2009. Comaplex reviewed the security calculation in light of new knowledge of the ARD potential of the waste rock and ore stored on surface. Only recently, Golder Associates provided Comaplex with its draft report on the static testing carried out on the waste rock and ore. The testing was carried out in accordance with INAC 1992 and MEND 2009 guidelines, thereby assuring sufficient samples were tested based on the tonnage of waste rock and ore expected from the development. A copy of the draft Comaplex Geochemistry Static Test Report (March 2010) can be forwarded to your technical people as required. The final report will be forwarded once received from Golder.

The report shows that all waste rock at Meliadine is non acid generating. As a result of these findings, there is no need to move the waste rock underground, as indicated in the RECLAIM model calculation, as it poses no ARD risk. Ore zone samples, meanwhile, are classified as having an uncertain ARD potential and should be treated as potentially acid generating and isolated from the surface environment.

The box cut for the portal has a volume of approximately 17,000 m³. The volume of the ore on surface is 13,065 m³ as indicated in the table below. The volume of all the demolished buildings should not occupy more than 4,000 m³. As a result, everything will fit into the box cut for the portal and there is no need to move anything underground. Once all the materials are in place, they can be covered with 2 metres of waste rock/overburden/top soil found in the portal area to ensure that the buried materials remain permanently frozen, as they would not be within the active layer.

The ore would need to be moved approximately 200 metres from where it is presently stored to the portal area. This would require a loader, truck and dozer. No underground equipment would be needed.

**Volume and tonnes of material moved to surface
in taking the Bulk Sample (2007 – 2008)**

	Volume (m ³) (swell factor 1.5)	Tonnes
Waste Rock	53,538	99,937
Ore	13,065	25,521

Based on the above, Comaplex feels the input parameters to the RECLAIM model should be changed to reflect the new information and request it be rerun to determine the applicable bonding based on current information.

Our calculations show the following:

- Ground support and ventilation (\$25,000) is no longer needed as access to the decline is not required,
- Hauling PAG rock underground is not necessary as the box cut for the portal will hold all the ore presently stored on the waste rock pad. The 13,065 m³ of ore would be moved 200 metres from where it is presently stored using loader, truck and dozer at a cost of \$2 to \$4 per m³ resulting in a conservative cost of \$52,000 instead of the present \$234,000. This represents a saving of \$182,000, and
- The indirect costs would also be reduced proportionately. The 5% engineering, 5% management, and 20% contingency would be reduced \$9,100, \$9,100 and \$36,400 respectively.

As a result of the above, the new bonding by our calculations would be \$402,492. Comaplex feels this is a more reasonable security for the existing project and requests the KivIA, INAC, and the NWB to adjust their security requirements accordingly. INAC's revised security determination would then replace the present security in Complex's water license.

Adjustment of the KIA Security Bond

Comaplex currently has a Commercial Lease on our Meliadine property with a \$925,000 Letter of Credit (LC) payable to the KivIA. This security covers both land and water for the project. The

Commercial Lease agreement and bond was inherited from WMC when we bought their company in late 2003. By all estimates to date, the total cost expected to clean up the Meliadine camp and portal sites is to cost between \$414,000 and \$738,500. A similar study by INAC using RECLAIM, estimates the cost of cleaning the Meliadine site (land and water) at \$639,000, reduced as above to \$402,492.

While Comaplex inherited the KivIA security bond, it has never understood why it was required to carry a bond in excess of even the most costly estimate to clean the site. Should negotiations between INAC, the KIA, and the NWB not be successful on the issue of double bonding, Comaplex respectfully requests that the KivIA reduce the present bond of \$925,000 down by the amount of the total INAC held security (whatever amount that might be).

Implications

Comaplex has been recently told by INAC that recent amendments and applications made by Comaplex on the Meliadine property have now been put on hold, subject to reconciliation or payment of the security bond to INAC. Clearly, this is a matter of grave concern for Comaplex and we obviously do not want to be either in non-compliance nor hold up a project that has clear benefits for the people of Nunavut. We request a quick and progressive response to this matter from the relevant authorities.

Respectfully,



Mark Balog
Comaplex Minerals Corp.

cc: Lou-Ann Cornacchio, Manager, Water Resources
Kate Hearn, Acting Director General, Northern Project Management Office
Bryan Raymer, Water Resource Officer, INAC
Ian Rumbolt, Regional Coordinator, INAC
Nicole Jauvin, Deputy Minister and President, Canadian Northern Economic Development Agency