



# **MELIADINE WEST GOLD PROJECT**

## **UNDERGROUND MINERAL EXPLORATION**

**And**

## **ASSEMBLE A BULK SAMPLE**

## **Site Liability Security Deposit Review**

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CALGARY, ALBERTA**

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## **Background**

As requested in the NWB amendment for water license 2BB-MEL0709 dated August 2, 2007, this document provides an explanation for the present security deposit now registered on the project under the administration of the Kivalliq Inuit Association.

## **Explanation**

The security deposit and Commercial Lease agreement that covers the Meliadine West property was originally negotiated by WMC International Ltd. and was, if not the first, one of the first agreements of its type in Nunavut. The security deposit attached to the Lease was in the form of a Letter of Credit against WMC International for \$1million.

In 2005, Comaplex acquired WMC International Ltd. and became the operator and majority owner of the property. Comaplex had, at the time, one other small security deposit registered with the KIA on another non-Meliadine exploration property. For practical reasons, both security bonds were combined under the \$1 million Letter of Credit. Subsequent to that time, Comaplex dropped the small property, completed all reclamation on it, and the Letter of Credit was reduced accordingly to \$950,000.

While Comaplex has always felt that the amount of the Reclamation Bond was very significantly more than was required to reclaim and monitor the Meliadine campsite, we also recognized the importance of establishing and defending our reputation as a responsible exploration company with the KIA. In our opinion, we have shown that we are responsible operators and have shown full compliance not just in the last 3-4 years, but in our last 25 years of exploring in the Kivalliq region.

For the last year or so, discussions have been ongoing with the KIA to reduce the security deposit to something that more accurately reflects the true cost of cleaning up the camp and infrastructure on the lease hold. When we started to consider the underground exploration program, Comaplex and the KIA put these discussions on hold. Once our plans were in place, we approached the KIA again and laid out the underground program and our rational on what we felt the camp and decline would cost to reclaim in a worst case scenario.

The KIA acknowledged that the amount of the Letter of Credit required review for the camp only. They also recognized that Comaplex was a responsible and stable company. Together, we agreed that the \$950,000 security deposit was sufficient to cover both the camp and the decline work. Since no single aspect of a reclamation program is unique and independent, costs for not only physical cleanup and reclamation are covered, but so also is the monitoring and longer term water and soil testing to ensure full compliance to every group's satisfaction.

## **Methodology**

Comaplex has over the years, tried several times to use the RECLAIM model. We find it extremely difficult (impossible) to operate and the results do not appear, at least to us, to be remotely realistic. For example, the fact of local demand for much of the camp and equipment within it (tents, stoves, furnishings, tanks, etc.) is not addressed in RECLAIM. These would be highly sought after items by the people of Rankin Inlet and the nearby communities. Even in a worst case scenario, these items would definitely go for salvage costs (i.e. whoever is responsible to clean up the camp would get the equipment for payment). We have done this in several camps to the towns-people and clean-up crews benefit.

The RECLAIM model, in our experience, does not provide a realistic cost estimate for reclaiming lands that have been under mineral exploration. Comaplex feels that the Security Bond should more accurately reflect the true cost of cleaning up the camp, the portal, and associated infrastructure on the lease hold. In its absence, we have asked two different, third party companies with experience in abandonment and restoration work to put forward budgets to clean up both the portal and work area and the entire project in a worst case scenario.

## **Justification to Maintain the Current Security Deposit**

The abandonment and restoration of the portal site will be simple for the following reasons:

- a) The underground exploration and bulk sampling program is of short duration and in mining terms involves very little mineralized material (ore) with potential for acid generation coming to surface.
- b) The location is in close proximity to Rankin Inlet – a hub for exploration work in this area. It is a fair assumption that most of the site infrastructure would be easily transferred to Rankin Inlet during the winter months and would be sold off and/or salvaged by local parties or companies.
- c) It should be assumed that the heavy equipment necessary to complete the work will already be either on site or in Rankin Inlet, eliminating the need for expensive mobilization of equipment.
- d) The footprint of activity for the underground exploration has been deliberately kept to a minimum to reduce environmental impacts.
- e) Current site practices, such as removing hazardous wastes from the site as they are generated, are already in place (such as used oil).

Since the Meliadine West project is at the exploration stage, it is unlikely that disappointing results from the underground exploration program would completely stop the project. In reality, exploration on surface and even underground would likely continue and this work would almost certainly be conducted from the existing camp. Abandonment and restoration of the decline therefore should not infer abandonment of

the property or the camp servicing that property. Regardless, the reclamation plan assumes a worst case scenario with the KIA completing full restoration of the portal site and the exploration camp on the property.

### **Third Party Quotations for Reclamation of the Meliadine Exploration Decline and Site**

To provide security for the project, we have negotiated with the KIA an agreement whereby the \$950,000 security deposit (Letter of Credit) presently held by the KIA covers both the camp and the underground program (the entire project). To ensure the \$950,000 Letter of Credit was sufficient for the ongoing and proposed programs, the KIA contracted a unrelated third party to determine what it deemed the complete reclamation cost of the entire Meliadine West project to be (camp and all underground and related infrastructure). The consultant came up with a figure of \$615,419, to which they added a 20% contingency fee for a total of \$738,503.

As part of this process, Comaplex requested recent estimates for the same work from two independent northern contractors with extensive experience in this type of work. One of the quotes was for \$413,839 (includes a 10% contingency) and the second was for \$652,140 with no contingency. In all cases, the present security deposit on file with the KIA is more than sufficient to cover the complete decommissioning and restoration of the entire camp and underground exploration site.

The security deposit with the KIA is in place to directly address the same issues that the NWB would have with reclamation of the site. For this reason, Comaplex does not understand why a separate security deposit for the NWB is required or is even being considered. We strongly feel the one security deposit is more than adequate for full compliance with all regulatory groups for the level of exploration underway on the property.