



Suite 1220 – 789 West Pender Street, Vancouver BC V6C 1H2

January 29, 2013

Eva Paul
Water Resources Officer | Agent des ressources hydriques
Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord
Canada
Nunavut Regional Office | Bureau régional du Nunavut
Building 918, PO Box 100 | Édifice 918, CP 100
Iqaluit, NU X0A 0H0

Dear Ms. Paul,

Further to our discussions and correspondence regarding cleanup of the Arcadia Bay Property please see correspondence below received from Kris Raffle, B.Sc., P.Geo. Senior Geologist, Apex Geoscience Ltd. 1278-885 W. Georgia St. Vancouver, BC V6C-3E8 t: 604.696.9628 f: 604.681.8775 direct: 604.697.2866 cell: 604.290.3753 kraffle@apexgeoscience.com www.apexgeoscience.com. Apex was the project manager for us when we last worked the property in 2008. Kris Raffle quotes;

"I can confirm that casing was not left in the holes, however the area of 2008 drilling was the subject of significant historic drilling during 1981 and 1989. 31 historic drill holes, many with casing still in situ occur within a 200 m distance of the area drilled during 2008. At the time I marked the location of 16 historic drill sites where collar pickets, or casing were found. I suspect it would be very difficult to identify the 2008 drill sites anymore, though in summer the wooden collar pickets with metal tags may still be identifiable, in addition to a small stack of wooden timbers that remain there.

The 2008 camp is located at exactly: N67 39 04.6 W111 22 43.3, the second location noted by Eva below was a provisional site close to the barge landing that was not used during 2008. A total of 12 partial diesel drums (originally from the barge site) remain at the 2008 camp site, in addition to wooden tent floors.

During 2004, and in anticipation of a subsequent drill program, Full Metal mobilized 120 drums of diesel, 32 drums of Jet-B, 8 drums of gasoline, 13 pallets of propane (4x100lb), 5 pallets of calcium chloride and 2 pallets of core boxes to the barge landing site at: N67 44 30.3 W111 22 04.2. A small quantity of the diesel, core boxes propane and salt was utilized for the 2008 drilling and to support the camp. At end of the program we recorded 86 drums diesel, 32 drums jet-b, 8 drums gasoline, 11 pallets propane, plus and unknown quantity of calcium chloride and core boxes remaining at the barge site, among other items.



There are a large amount of historic exploration remnants, that pre-date Full Metal or Alix Resources involvement, within the Arcadia Bay property. In particular at the barge landing (small caterpillar and a significant number of old drums), and the abandoned Orofino camp site that includes wooden kitchen/dry structures, tent floors, core racks, drums and a 450B caterpillar (observed from the air by APEX during 2008 and by Equity during their 2003/2004 mapping programs). APEX noted casing in place at the majority of historic drill collars around the area drilled during 2008.

If there is anything else I can provide please let me know". Kris

In light of the information provided by Apex it would appear that tasking Alix with the entire cost of cleanup for a situation that existed prior to our acquisition and subsequent drilling on the property is not entirely fair.

We are anxious to resolve this situation and would appreciate your input as to how this can be done equitably.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Masters", with a long, sweeping horizontal line extending to the right.

John Masters
Director, Alix Resources Corp.