



AANDC, Nunavut District Office
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August 1, 2013

Sherry Kudlacek, General Manager of Operations
Skybridge Development Corp. / Mega Precious Metals Inc.
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RE: Inspection of Water Licence 2BE-BLU0812, July 7 2013

Please find attached the report on the Water License Inspection conducted at the Sage Lake camp / Blue Caribou Project. Included at the end of the report is a summary of observations made during the inspection with respect to issues of non-compliance or non-conformity with the issued Water License or the Nunavut Water and Nunavut Surface Rights Tribunals Act, and the actions required of Skybridge Development Corp. as a result.

The role of Aboriginal Affairs and Northern Development in issues related to the use of water or deposit of waste in Nunavut is one of compliance monitoring and enforcement. AANDC's preferred option is to work with clients to address instances of non-compliance with their authorizations or the Act and risks to the environment.

Should you require more information or clarification on any aspect of the enclosed report please contact the undersigned at the coordinates listed below. I look forward to continuing to work with you and your staff. If you have any questions please do not hesitate to contact our office here in Iqaluit.

Sincerely,

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WATER LICENCE INSPECTION REPORT

Date: July 7, 2013	Licensee Rep. (Name/Title): N/A
Licensee: Skybridge Development Corp.	Licence No.: 2BE-BLU0812

Work was conducted by Skybridge in 2012 to close and remediate the camp and to address issues that were identified in the inspection report submitted by Inspector Melissa Joy for the 2010 inspection.

Skybridge submitted a cancellation request to the Board for the licence 2BE-BLU0812 in January 2013. Information was requested of Skybridge in order to facilitate a cancellation inspection, including the provision of drill coordinates associated with the project. This information was provided to the Inspector as requested. The inspection was conducted on July 7, 2013. I visited the camp location and airstrip at N65° 13' 57" W106° 37' 06" and selected two drill coordinates from the list provided.

The findings are as follows:

Camp cleanup appears to have been thorough. All that remains on site are the core racks. One set of core racks may be within 30 m of the high water mark of the lake, contrary to Part I item 12.

MP09-1 and MP09-2 (UTM 13W: 428122, 7235800 and 427206, 7235336). The two drill coordinates that were visited (and I flew over others in the immediate vicinity) show incomplete reclamation. Drill casings and anchors remain visible, and debris litters the areas. As per Part I item 11, drill casings are to be removed and the site restored to natural conditions.

Non-Compliance with the Act or the Licence:

Part I item 11: Drill holes and disturbed areas will be restored to natural conditions.

Part I item 12: Drill core may be stored onsite, at least 30 m from the ordinary high water mark of any adjacent water body.

Action Required:

- **All** drill sites for the project are to be reclaimed. Casings and anchors must be removed or cut to ground level and capped. Debris is to be collected and backhauled.
- Verify the distance of the core racks from the water. Core racks are to be moved if within 30 m of the high water mark.
- A report with photographs detailing the completion of this work (including the verification of all drill sites for reclamation purposes) is to be submitted to the Inspector before this licence can be recommended for cancellation.

Cancellation of the licence is not recommended until these matters are addressed.

Eva Paul

Water Resources Officer

August 1, 2013

Date



Photos from July 7 2013 Inspection:



Figure 1. Esker airstrip with core racks at the far end.



Figure 2. Core racks - distance to high water mark to be verified.



Figure 3. MP09-1: Core and anchor left sticking out, and debris littering the site.



Figure 4. A drill hole nearby to MP09-1 and 2 which also requires reclamation.



Figure 5. Other debris noted near to the inspected drill sites.