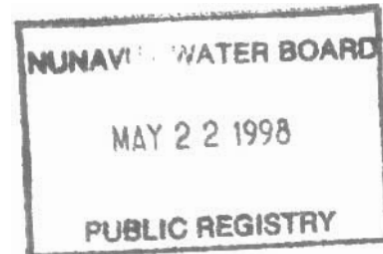


Via MAIL

11 May 1998

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board,
P.O. Box 119
Gjoa Haven, NT, X0E 1J0



Dear Mr. di Pizzo,

Re: Water License No. NWB2GEO9702

In accordance with Part B, Section 3 of the General Conditions for the above captioned water license, Kit Resources wishes to report the following information for the 1997 calendar year:

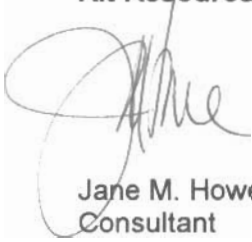
- a. No water (0.00 m³) was pumped from George Lake.
- b. No waste water (0.00 m³) was discharged into George Lake.
- c. No data was generated under the "Surveillance Network Program".
- d. No construction, modification or maintenance work was carried out on the water supply or the waste disposal system or associated structures.
- e. There were no unauthorized discharges.
- f. There were no studies undertaken on behalf of the NWB that related to waste management, water use or restoration. There are no such studies planned for the future, at this time.
- g. There were no plans, reports or studies conducted according to this license.
- h. There were no revisions to the Abandonment and Restoration Plan.
- i. Considerable work was completed during 1997 with regard to the clean up of the camp facilities at George Lake. All 1997 drill sites were cleaned and reclaimed after use.
- j. There were no revisions to the approved Spill Contingency Plan.
- k. There was no work conducted with regard to project restoration research or mine development monitoring. Preliminary work is still in progress with regard to the proposed mine plan.
- l. Public consultations have been ongoing with members of numerous Inuit organizations and residents of nearby communities. Details are available upon request.
- m. There have been no concerns or deficiencies identified in inspection reports or compliance reports.
- n. There were no other details on water use or waste disposal requested by the NWB.

We wish to confirm that Kit Resources does not anticipate pumping water or discharging waste water from / to George Lake during 1998. Enclosed please find our cheque in the amount of \$30.00 sufficient to cover the 1998 annual fees for this right to use water.

KIT RESOURCES LTD.

If you have any questions or concerns, please do not hesitate to contact the undersigned.

Sincerely,
Kit Resources Ltd.

A handwritten signature in black ink, appearing to read 'J. Howe', is written over a light gray rectangular background.

Jane M. Howe, P.Geo
Consultant

enclosure