

Dear Phyllis Beaulieu:

Thank you for passing on the comments from the individuals and agencies that reviewed our application for an exploration program at our Grail Project. We have reviewed the comments received and appreciate this opportunity to respond. It will be easiest to address the comments individually under headings generated from the concerns, issues and comments outlined in the various letters.

Alice Baker, Avativut Nunavut

“The project is within 20 miles of significant walrus, polar bear and narwhal habitat...”

The Nunavut Water Board issued a clarification on January 7, 2010, correcting the name of the project. Initially the project had been referred to as the Torp Lake Project which exists approximately 20 miles from the Canadian mainland Arctic coastline near Bathurst Inlet. Referring to the maps provided with the application, and the coordinates provided in the application, you will note that only the south-westernmost corner of the project boundary is located the closest to the coast, approximately 20 kilometres from the west coast of the Boothia Peninsula.

We have referred to the Nunavut Planning Commission website and reviewed the maps that identify areas of importance including areas important to wildlife. Since receiving the comments, we have been in contact with Mathieu Dumond, GN Wildlife Biologist, who has provided us with shapefiles to assist in generating maps that outline areas of importance to terrestrial wildlife. We have incorporated the information from the GN in a map identifying our project property boundaries in relation to terrestrial animal (caribou) distribution/aerial survey coverage and have included this with this letter.

Additionally, we have contacted Loriena Melnick of the DFO to obtain information on marine wildlife distribution. As of Friday February 26, 2010, we do not have up-to-date information on marine wildlife proximal to the Grail property boundary. At this time, for marine animal distribution, we only have access to the online information presented on the NPC's website, which displays information that dates back to 1994 as per Michael Townsend, NPC's Land Information Technologist. Any information acquired from the DFO pertaining to marine wildlife will also be examined upon receipt. According to the NPC interactive map on their website, narwhal habitat exists around all arctic peninsulas. Walrus habitat was not found proximal to the Grail project area. Could you please direct us to where the information that shows the west coast of the Boothia Peninsula as significant walrus habitat comes from?

The water licence does not include terms and conditions regarding wildlife. It is in the land use permits issued by INAC and the KIA that these terms and conditions can be found. Indicator Minerals does have an Environmental Protection Plan which includes a section on wildlife and wildlife mitigation measures. Indicator takes wildlife mitigation seriously and follows all applicable legislation and guidelines for working in Nunavut.

“Duty to consult”

Indicator Minerals has been actively consulting with the communities of Taloyoak and Kugaaruk since 2004. The Grail project was first introduced to the community Taloyoak during an impromptu invitation to a town council meeting in August of 2004. Indicator last met with the communities in May of 2009, during which the community consultation tour included the communities of Gjoa Haven, Taloyoak and Kugaaruk. No exploratory field work was conducted in 2009. On May 21, 2009 a community meeting was scheduled and held in Taloyoak, unfortunately attendance was nil. A second meeting was scheduled and held with the Taloyoak SAO on May 22, 2009 where maps and a complete information package were left behind for interested community members to review. Upon request, a compilation of all community consultations since exploration began in 2004 can be compiled to show Indicator’s commitment to community awareness of its activities.

Indicator takes consultation very seriously and we have continued to keep the communities aware of our progress on our exploration programs. Indicator goes to great lengths to provide advance notice of community visits and coordinates these visits and meetings to avoid conflicting schedules of other community events. Future community visits are planned prior to the next exploration program in the area.

“It is illegal to fly below 1000m...”

From the INAC Caribou Protection Measures, when the event that caribou cows and calves are present the permittee shall suspend: blasting, overflights by aircraft at any altitude of less than 300 meters above ground level and the use of snowmobiles and ATVs (all-terrain vehicles) outside the immediate vicinity of the camp.+

NIRB recommends, when caribou are within 1 km of any project activities, the proponent shall suspend all blasting, over-flights of aircraft with an altitude of less than 610 metres above ground level and operation of ATVs and snowmobiles and any other ground based or water based mobile equipment.+

We respectfully request clarification on where this reference that it is illegal to fly below 1000 metres comes from? We are not aware of the legislation that states this. We are aware that for birds, Environment Canada makes the following recommendation pursuant to the *Migratory Birds Convention Act and Regulations*, that aircraft used in conducting project activities maintain a vertical distance of 1000 m and minimum horizontal distance of 1500 m from any observed concentrations (flocks/groups) of birds.+

“It also states that waste and hazardous waste will be disposed of at an approved facility. The proponent must name the facility and consult the affected community on their willingness to take waste from this operation.”

There are no approved hazardous waste facilities in Nunavut. All hazardous waste is shipped south to approved facilities that are licenced to receive hazardous waste. The shipping of hazardous waste is strictly regulated; waste manifests accompany all shipments and companies shipping hazardous waste are required to register with the

Government of Nunavut. All waste disposal is reported on in the annual reports submitted to the Nunavut Water Board.

In the past, some communities in Nunavut have agreed, for a fee, to receive non-hazardous, non-combustible waste. This generated funds not only for the hamlet, but also for local expeditors who provided this service. This is no longer practiced as most communities are operating in non-compliance with their own water licences for waste disposal and as such INAC Inspectors have advised companies that it is not permitted to send waste to the communities for disposal. All non-combustible wastes are now required to be shipped out of Nunavut.

Simon Qingnaqtuq, HTO Manager, Taloyoak Nunavut

“...the area is a calving area for Caribou and musk ox...”

Indicator has reviewed the information from the Nunavut Planning Commission website and has been in touch with Mathieu Dumond, GN Wildlife Biologist, and has prepared maps that outline past aerial caribou surveys. The quest for additional information about the distribution of arctic animal populations is ongoing, with the GN, NPC and the DFO.

Conditions stated in the INAC Land Use Permit for the Grail Project are already in place, some of which include the following:

49. *The Permittee shall cease activities that may interfere with migration or disturb caribou in the project area.*
50. *The Permittee shall cease activities such as airborne geophysical surveys, drilling or movement of equipment or personnel when caribou are within the project area.*
51. *The Permittee shall not construct or operate any camp, cache any fuel within 10 km, or conduct any drilling operation within 5 km, of any identified caribou crossings, or areas frequented by caribou.*

“...the stream from the area flow right into the lake where Taloyoak do commercial fishing.”

Indicator is required and has committed to keep all operations a minimum of 31 metres from the normal high water mark of all water bodies during non-winter month; these operations include drill holes, drill and camp sumps and fuels. The minimum 31 metres is present in the licence so that there is no possibility of a potential spill from entering any water body.

Our understanding was that commercial and traditional fishing north of Taloyoak occurs at Sangaak Lake, Lord Lindsay Lake, Stanley River, Abernethy Bay and Thom Bay. The project proposal here is to establish a camp next to Chartrand Lake, located in the middle of the Boothia peninsula, and conduct exploration to the west of this lake where the Josephine River flows south. At the time of the NWB application, Indicator was unaware of this lake and this river being ones in which commercial fishing occurs until your comments were received. We noted the IOL Parcel SB-25 to the west of the lake,

and as such, proposed a camp location on the opposite side. Communication with the KIA has been initiated to ensure that commercial and traditional fishing areas are respected.

“Before anything is done the Taloyoak Hunters & Trappers Organization wants a public meeting with all departments [that] deal with the project.”

As stated previously, Indicator Minerals is planning to visit both Kugaaruk and Taloyoak prior to commencement of future exploration on the Grail property. Indicator will make every effort to discuss the concerns raised by Mr. Qingnaqtuq prior to the community visit so that we can adequately prepare information that will address the concerns being referred to.

Carrie Spavor, Environmental Assessment Coordinator, Environment Canada

“Raw sewage should not be burned in batch incinerators that are typically used in the north.”

Raw sewage will not be burned in a batch incinerator. The Land Use Permit for the Grail project states “The Permittee shall deposit all sewage into a sump.”

“Environment Canada recommends the use of an approved incinerator for the disposal of combustible camp wastes.”

Indicator Minerals intends to rent and purchase camp equipment provided by Discovery Mining Services Ltd. of Yellowknife, NT. As a specialist in camp equipment and supplies, Discovery has kept up with current recommendations published by Environment Canada. The current camp incinerator provided for camp rental by DMS is called a “Burnadette.” The following specifications have been copied from the website www.theburnadette.com:

Technical Specifications - The Original Burnadette

- Plate Steel Construction
- Stainless Steel Grate Construction
- 1/4" Fire Brick Lining
- 8" Chimney Opening & 48" High Stack & supplied
- Beckett Industrial Burner & requires 7.1 amps maximum power draw
- Forced Air Injection System & for burn efficiency & temperature
- Top Chamber & door measures 18" x 24" for loading
- Bottom Chamber & door measures 16" x 21" for combustion & clean out
- Upper Burn Chamber & 24" diameter
- Reinforced Upper & Lower Chamber Doors
- Height & 70"
- Footprint & 25" x 25"

ÉWeight ó 750 lb
ÉFuel Type: Diesel ó No. 1 Stove Oil or No. 2 Furnace Oil
ÉMax/Min Fuel Consumption ó 1 ¼ to 1 ½ US Gal/Hr
ÉBurn Temperature 175,000 to 420,000 BTU & up to
1800 Degree F
ÉHigh Temperature Black Paint
ÉAuto Fuel Shut Off ó after one hour
É50 lb waste can be burned in less than 10 minutes

“Please note that the number listed for the Environment Canada 24hr Emergency Pager is no longer in service.”

The Spill Contingency Plan and the Abandonment and Restoration Plan have been amended with the removal of the Environment Canada 24hr Emergency phone number reference.

Andrea Cull, Water Management Specialist, Indian and Northern Affairs Canada

“INAC recommends that the proponent provide an operational plan detailing how diamond drill return-water will be managed in a manner that will not pose a negative impact on the quality of nearby freshwater sources. The Plan should consider the use of hot water rather than drill additives to support permafrost drilling operations...”

It is preferred to use warm water over additives to prevent permafrost from seizing the rods. The warm water holds the permafrost back a few inches from the rods while circulating. Only in extreme permafrost situations will *biodegradable* additives be used, in this situation being required to reduce the freezing point of the fluids more than the warm water itself to gain more time in preventing the rods from freezing in the hole. As much return water as possible will be captured and recirculated down the hole to recycle any additives that may have been added to the water. Whatever is not recycled will be pumped to an approved natural depression (sump) as outlined in the regulations, located a minimum of 31 metres from the natural high water mark.

Loriena Melnick, Habitat Management Biologist, Fisheries and Oceans Canada

“DFO has produced a new Operational Statement titled ‘Mineral Exploration Activities’ ...”

Indicator has downloaded this Operational Statement and will incorporate the applicable information in to our standard work practices. This document is extremely helpful. Additionally, contact with Fisheries and Oceans has led to a search of available public data on marine life for reference and use within our database (see attached correspondence).

Amendments have been made based on the advice, comments, concerns and issues identified by the reviewers and are based on the above responses. Amendments to the following plans will be forwarded to the Nunavut Water Board upon completion:

- **Spill Contingency Plan**
- **Environmental Procedures Plan**
- **Abandonment and Restoration Plan**

The following summarizes the additional information prepared to address the comments, concerns and issues identified by the reviewers:

- **Documented inquiry via email requesting marine wildlife distribution information from the Department of Fisheries and Oceans**
- **Documented inquiry via email requesting terrestrial wildlife distribution information from the Government of Nunavut Biologist**
- **Map identifying the locations of past aerial surveys conducted by the Government of Nunavut for caribou in and around the Grail property (information provided by the Government of Nunavut Biologist).**

Indicator will pursue the additional requests for spatial wildlife information to better understand the Grail project area's environment and animal habitat. Currently we are awaiting information that we can use to assist our understanding of migratory and/or sensitive bird habitat, muskox and polar bear habitat, plus other marine wildlife habitat including walrus, narwhal and seal.

Further conversation has occurred with the Nunavut Planning Commission regarding the spatial information presented on their website. There has also been communication with Kitikmeot Corporation and the Taloyoak arm of the KIA to find out more about the traditional and commercial use of land and waters in and around the Grail property. Responses from these discussions are currently pending.

Thank you again for providing us with the comments made on the Grail Project Water Licence application package. We hope that this additional information helps to clarify some of the concerns identified. Please do not hesitate to contact Andrea Maynes at 604-331-5098 or via email at andream@indicatorminerals.com if you require anything further.

On behalf of Indicator Minerals and its consultants,

Sincerely,

Andrea Maynes
Senior Geologist
Indicator Minerals Inc.