



February 3, 2012

Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0
ATTN: Ms. Karen Kharatyan, Technical Advisor
k.kharatyan@nunavutwaterboard.org
Dear Ms. Kharatyan,
Re: APPLICATION File No. 2BE-DIS

Thank you very much for your email dated January 27, 2012 pertaining to our Water License application for our project located in the Dismal Lake Area, Kitimeot Region, Nunavut.

In your letter, you informed us that our application will be rejected unless we satisfies the Board as to the --- "*financial responsibility of the applicant, taking into account the applicant's past performance.*" In your said letter you did acknowledge our presentation that there was a change in management as of August 17, 2009. Prior to this date, a different set of management and personnel were operating the project. After that date, we of the new management were trying to resurrect the project which unfortunately had its Land Used Permit and Water License lapsed.

Given that we inherited "the obligation that remain after the expiry of that license", we applied for the renewal of the Land Use Permit from INAC and Water License from the Water Board on **April, 2010**. We went through the system diligently including reviews of the application by different stakeholders in the region- and finally were **granted by INAC** the Land Use Permit No. N2011C0004 on July 25, 2011. (By the way, the lapsed Land Use Permit (N2008C0013) area was only inspected on August 9, 2011. Mr. Baba Pedersen, Resource Management Officer of the INAC Kitimeot Region wrote as a letter dated September 14, 2011—with the comment that "**field inspection that the area is clean and natural state and I am recommending closure of this LUP.**" This shows that the past operators performed to meet their obligation as stipulated in their Land Use Permit to keep the area clean and perform any environmental remediation if and when needed.)

Having a Land Use Permit but not a Water License is an operational anomaly. We can't possibly be expected to "perform" any exploration work to meet our assessment obligation without using water. If there is indeed deficiency (ies) in the performance of the "PAST" management group we would like clarification of such deficiency (ies) for which the "NEW" management group has to rectify. Please note that our applications for Land Use Permit from INAC and Water License from the Nunavut Water Board were filed at the same time, essentially has identical information, subjected to same process in terms of community participation (complete with translation of Project Summary to Inuinnaqtun).

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The only other issue we are aware of is the alleged deficiency in the filing of ASSESSMENT Work report done in 2005. This has something to do more with the status of the staked claims we have (i.e. the RC Group of Claims). We are in contact with Mr. Matthew Senkow of the Aboriginal Affairs and Northern Development to address this matter. In his email to us dated November 4, 2011, Mr. Senkow informed us that the "Water License is not tied to mineral claims, but instead to water use within a given area." This being said, we contend that this claim assessment reporting "deficiency" is not relevant to our Water License renewal application.

May I also add, that our application for renewal include the **ACTIVE MINERAL LEASE (2797)** which is not subject to any assessment work reporting requirement. We have been paying diligently the annual Land Lease Fee to the government. Our plan to do work on this Mineral lease has been placed on hold for the past two years (field seasons of 2010 and 2011) due to the failure of being granted the renewal of our Water License.

It would be helpful then if you can be more specific as to what "past performance" failure (if any) that you are referring to as reason for not granting the renewal of our Water License.

Thank you for your attention.

Sincerely yours,

A handwritten signature in purple ink, appearing to read 'Alexander Po', is written over a horizontal line.

Alexander Po
Director