



Water Resources Division
Nunavut Regional Office
Iqaluit, NU
X0A 0H0

NWB File: 2BE-DIS----
CIDMS #: 461993

May 6, 2011

**Re: 2BE-DIS---- – New Water License Application – Additional
Information - Dismal Lakes Project – Guyana Precious Metals Inc.**

Please be advised that Indian and Northern Affairs Canada (INAC) have completed a review of the additional information associated with the new water license application, water license # 2BE-DIS---- (Dismal Lakes Project) pending approval submitted by Guyana Precious Metals Inc. The NWB circulated the additional information for comments on April 21, 2011. All documents related to the application posted on the NWB ftp site under 2BE-DIS---- were included in my review (See attached Technical Review Memo).

Should you have any questions or comments, please do not hesitate to contact me at (867) 975-4282 or by email at Ian.Parsons@inac.gc.ca.

Sincerely,

Original signed by

Ian Parsons
Regional Coordinator

Cc. Jim Rogers, Manager of Water Resources – Indian and Northern Affairs
Canada, Nunavut Regional Office
Peter Kusugak, Manager of Field Operations – Indian and Northern Affairs
Canada, Nunavut Regional Office



Technical Review Memorandum

To: Phyllis Beaulieu – Manager of Licensing, Nunavut Water Board

From: Ian Parsons – Regional Coordinator, Indian & Northern Affairs Canada.

**Re: 2BE-DIS---- – New Water License Application – Dismal Lakes Project
– Guyana Precious Metals Inc.**

Background

The Dismal Lakes Project is located approximately 60 km south west of Kugluktuk. The site will consist of facilities capable of sustaining 25, on average, 12 people.

Guyana Precious Metals Inc. pending water license # 2BE-DIS---- has applied for a water license in the exact same location where there is an existing expired license 2BE-KUG0810 (expired but licensee is still accountable) licensee Coronation Minerals Inc.

INAC (water resources division) recommends that the applicant either apply for a renewal of the expired water license 2BE-KUG0810 or apply for a cancellation of the expired license 2BE-KUG0810 and apply for a new water license. The applicant can not be approved for a water license where a water license already exists, even if it has expired.

Further, INAC (water resources division), in talks with INAC (mining recorders office), believes that the claims in question still be long to Rory Calhoun. There is an outstanding transfer into the name of Coronation Minerals but INAC does not transfer claims that are not in good standing. These claims remain in the name of Rory Calhoun because there are two outstanding reports. The first report 085243 has not been approved. The company has been asked to make major amendments but has yet to respond. The second report 085364 according to the geology track sheet is being withdrawn.

As a result INAC is of the understanding that Guyana Precious Metals Inc. has no title to the mineral claims and leases stated in the water license application. Therefore Guyana Precious Metals has no right to be in this location undertaking the diamond drilling program they propose under the new water license application.



INAC (water resources division) recommends that the applicant submit all appropriate paperwork to the mining recorder's office of INAC.

The Mining Recorder's Office has a few suggestions which would include:

Option 1

1. Correcting Reports # 085243 and # 085364.
2. The Mining Recorder's office would then conduct the transfer from Rory Calhoun to Coronation Minerals.
3. Then they (Guyana Precious Metals) would need to file an original name change document to the Mining Recorder's Office with a cover letter stating exactly what they wanted the Mining recorder to do. They would also need to supply the Mining Recorder with a list of claims the Mining recorder would transfer from one company to the other.
4. The Mining Recorder would then change the name of the proponent on the claims. They would then be in a position to apply for a water license and a land use permit.

Option 2

There is different way to achieve the goal. It is a policy of the Mining Recorder's Office not to transfer a claim that is not in good standing as the client may not understand what they are getting into. The way to accomplish this is to have Rory Calhoun restate in a letter that he is still interested in transferring the claims to Coronation Minerals (or have him send, to the mining recorder's office, a new form 17 transferring the claims directly from Rory Calhoun to Guyana Precious Metals). Then the company receiving the claims that are not necessarily in good standing writes the mining recorder's office a letter saying that they know what they are receiving and they accept full responsibility for the claims. The mining recorder's office will then do the transfer out of chronological order.

Please note that the mining recorder's office can not assign a lease unless it is in good standing as per our regulations, section 62 (4) "Subject to subsection 62.1(1), the Mining Recorder shall not record the transfer of a lease if rent owing under the lease is unpaid."

Option 3

The final option makes the most sense. The Mining Recorder's Office would suggest that the company of Guyana withdraw everything they have on the claims including the transfer, then have Rory Calhoun relinquish the claim, then, if Guyana has a prospecting licence in Nunavut, on the next day at noon, Guyana



could go out and stake the claims. This is a radical suggestion but it would solve the following for the problems they are facing:

1. They will have fresh new claims, with a whole ten years to deal with. The current claims are already half way through their life cycle.
2. The claims would be in the name of Guyana Precious Metals Inc.
3. They would not lose the work they have already submitted. There is no time limitation on work conducted before the staking of the claims. They would have two years to go back and correct the problems that our geology department are facing with them right now.
4. They would have the claims in the right name to get their land use permits.
5. They could withdraw or cancel their first water use license and have the new one issued, because the problems they are facing right now is that they are not the right company asking for the action to happen.

If they (Guyana Precious Metals) allow the Mining Recorder's Office to go through with the transfer of the claims and the mining recorder's office lapses them as Mining Recorder's Office would have to, then Guyana Precious Metals will not be able to stake the claims for one year after they have lapsed and they could run the risk of losing the claims all together.

Also, Guyana Precious Metals Inc. does not have a prospecting license. A person or company must have an active prospecting license to have claims transferred into the name of their company, or to submit work. Coronation Minerals Inc. license number N33222 was renewed as of April 12, 2011 and expires April 12, 2012.

Guyana Precious Metals Inc has not submitted any paperwork, to the mining Recorders office, to indicate the official name change or an agreement between the two companies stating that Guyana Precious Metals Inc. is conducting the work on behalf of Coronation Minerals Inc.

If in fact Guyana Precious Metals Inc. is Coronation Minerals Inc. then we will need for them to produce name change documents and have the name on the claims changed over to their name unless they are going to submit the work in the Coronation Minerals Inc. name but then that closes the loop and we will need them to produce an agreement document.

If the applicant requires further clarification and/or assistance they are encouraged to contact the Mining Recorder's Office 867 975-4281 and ask for Rebecca Leighfield.



Recommendations/Comments

The Department of Indian and Northern Affairs Canada Water Resources Division recommends that the above referenced water licence 2BE-DIS---- not be issued until such time as all outstanding issues stated above, in regards to company name, prospecting licenses and rightful holder of claims can be resolved.

INAC also recommends that, depending on the option followed and completed, that either the expired licence 2BE-KUG0810 be canceled to allow a new water licence to be issued at the same location or expired licence 2BE-KUG0810 be transferred to Guyana and renewed. The INAC inspectors will continue to enforce the terms and conditions of the expired licence until it is canceled.

Cc. Jim Rogers, Manager of Water Resources – Indian and Northern Affairs
Canada, Nunavut Regional Office
Peter Kusugak, Manager of Field Operations – Indian and Northern Affairs
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