

September 16, 2014

Via E-mail

Ms. Eva Paul  
Water Resources Officer  
Aboriginal Affairs and Northern Development Canada  
Nunavut Regional Office  
Building 969, PO Box 2200  
Iqaluit, NU X0A 0H0

RE: E-mail dated Friday September 12, 2014 and AANDC Report

Dear Ms. Paul,

Thank you for your prompt response to my message left at your office on Friday, September 12th.

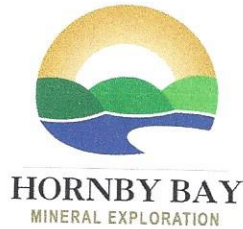
After reviewing the Inspection and Deficiencies Report by AANDC on behalf of the Nunavut Water Board, several issues immediately took prominence for discussion.

1. The single most problematic issue is the time period for Hornby Bay to correct recently reported technical and potential environmental deficiencies at our camp and current diamond drill site.

As discussed, Hornby Bay, in late spring of 2013, hired a Professional Camp Contractor from Kelowna, BC, and Taiga Consultants of Calgary, Alberta, to fly to our camp and fix the damage caused by grizzly bears, weather, and by persons unknown who are believed to be local people from Kugluktuk. Our camp appears to have been used for hunting and fishing purposes over several years, based on the amount of garbage recovered last spring, and the fact that a bear had been shot and left in our kitchen! In addition, communication equipment and tools were missing. To bring the camp back to near the condition when we closed it for the winter, cost us over \$200,000. It was inspected 14 months ago by Baba Pedersen and easily passed muster.

Most of the damage to our camp while we were inactive for those several seasons was the result of human activities. All of this, along with colour pictures, has been reported to the RCMP.

2. Timing: The Arctic is racing towards freeze-up and daily loss of daylight hours. During freeze-up, float planes and wheel-ski equipped planes cannot operate at all. Wheel-ski planes will not operate in early winter until ice thickness is capable of supporting an aircraft weight which is usually late December, which takes us into the 3 month period of darkness; therefore, as a practical matter and considering the safety



aspects of mid-winter operations, it would be impossible for any operator to meet the November 15<sup>th</sup> remedial deadline. As before, it is our commitment and intention to address all the issues and compliance obligations set out in your reports.

We respectfully request, weather permitting, to have the remedial work required by your department underway by May 31, 2015, and will keep you informed by email of our progress.

3. The extension requested is probably the minimum time to allow us to plan the program, obtain the supplies, charter the aircraft needed and line up the contractors and the logistics necessary to get this work completed as soon as possible. Subject to the market responses, we intend to try and drill a minimum of three holes on our leases as early as possible in 2015.

Thank you for giving me so much of your time yesterday.

Sincerely,

A handwritten signature in black ink that reads "James Brady". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James Brady  
President & CEO

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cc All directors  
Jim Davis, Taiga Consultants  
Baba Pedersen, Nunavut Regional Office