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Affairs Canada

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AANDC Nunavut Regional Office
Field Operations
P.O. Box 100, Iqaluit, Nunavut, X0A 0H0

Sent via Registered Mail
CIDM#513602

March 14, 2012

Rein Lehari, VP Corporate Development
Silvermet Inc.
8 King Street East, Suite 1704
Toronto, ON M5C 1B5
E-mail: rlehari@silvermet.ca

Re: 2011 Flyover Inspection of 2BE-MSX0712 (Silvermet Inc.)

Mr. Lehari,

On July 11, 2011, Water Resource Officer Andrew Keim conducted a flyover inspection of the Silvermet/Muskox camp. As per our photographs (enclosed for your reference) site structures appear to have been dismantled; however several drums were still visible, along with extensive garbage and debris.

In addition to the state of the camp site, another fuel cache was identified approximately a half mile away from the camp at coordinates N66° 59' 17" W114° 54' 13" (NAD 83). It contained approximately 18 barrels of fuel.

Silvermet is to address these issues in their Compliance Plan, as requested with the distribution of the 2010 Inspection Report, emailed and sent via registered mail on March 13, 2012.

This Plan is to provide a current record of progressive reclamation activities and is to include the development of a more comprehensive Plan with firm dates for implementation. Coordinates of all drill sites and fuel caches are to be included, as well as proof of reclamation at these sites. Any work the company has already undertaken to correct deficiencies is to be documented and provided to the Inspector and the Nunavut Water Board.

Please be aware that failure to provide this information to the satisfaction of the Inspector(s) will result in the issuance of a Direction and enforcement action(s) under the terms of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*.

Should you require more information or clarification please contact the undersigned.

Sincerely,



Water Inspector

Melissa Joy, Water Resource Officer
Aboriginal Affairs & Northern Development Canada
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Cc: Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board
Jeff Mercer, Manager of Land Administration, AANDC Nunavut Regional Office
Andrew Keim, A/Manager Field Operations, AANDC Nunavut Regional Office

Enclosures: Inspection Photographs, July 10, 2011



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Water Licence: 2BE-MSX0712 Silvermet Inc .
Land Use Permit: 2007J0012 (Valley Lake)

Inspection photographs –July 10, 2011
(taken by WRO A. Keim; notations by WRO M. Joy)

Photograph 1: Aerial view of fuel cache near Silvermet camp at coordinates N66° 59' 17" W114° 54' 13" (NAD 83) (July 10, 2011)





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**Photograph 2: Aerial view of 2BE-MSX0712, Silvermet camp (July 10, 2011) –Main structures and most drums removed;
garbage and debris prevalent**

