

ACTIVITY REPORT 2004 – 2005

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MESSAGE FROM THE PRESIDENT OF THE BOARD

JACK R. BLACKSMITH

It's with a great honour that I present the third Activity Report of the Cree Mineral Exploration Board (CMEB) to the Cree Regional Authority and the Ministère des ressources naturelles de la faune (MRNF). This report summarizes the actions and decisions of the CMEB from April 2004 to the end of March 2005.

The CMEB had set ambitious goals in its five-year 2002-2007 work plan. The CMEB intends to implement progressively all the following programs as foreseen in its five-year work plan: Awareness and Promotion, Training and Job Assistance, Prospector's Assistance, Project Development and Entrepreneurs' Assistance and Geosciences Expertise and Technical Assistance.

During this last year of operation, the CMEB held four meetings in Rouyn, Mistissini, Québec City and Montréal. For this third year, the amount of financial resources presently available satisfies the several requests for funding. This reflects the continued vitality and interest of the Crees in the mineral exploration sectors. The CMEB has maintained its policy to concentrate on the critical sectors of its mission, namely those related to Prospector's Assistance and to Entrepreneurs' Assistance. Four Agreements were concluded with Native Exploration companies and individual Cree Prospectors. In addition, the Board has acted to implement the first steps in its long-term goals of developing skills, training, expertise and home grown entrepreneurship and partnership in order to build a sustainable and solid basis for the mineral sector. The CMEB prepared a number of proposals and established various formal collaborations to increase its activities in these sectors. Finally, the CMEB is examining avenues of enhancing the Cree participation into capital investment in mineral exploration in order to fully participate to the expanding mineral sector in the territory.

I wish to thank the members of the Board for their time, knowledge and sustained contributions to the efficient and successful operations of the CMEB and for sharing their views of maintaining long-term goals for the Cree to participate more efficiently in the context of sustainable development in the mineral resources sector in Eeyou Istchee.

BACKGROUND

Chapter 5 of the Agreement entitled *Agreement concerning a New Relationship between le Gouvernement du Québec and the Crees of Québec* concerns mining. In particular, referring to Section 5.3:

Québec will promote and facilitate the participation of the James Bay Crees in mineral exploration activities in the Territory. In particular, Québec and the Crees will set up before April 1st, 2002 a Mineral Exploration Board which will be largely composed of Cree representatives but with some representation by Québec.

Section 5.3 also specifies the purpose of the Board and the financial terms:

This Board benefits as of the 2001-02 Financial Year from the available regular program funding of Québec for such purposes presently set at three hundred thousand dollars (\$300,000) per Financial Year. The main purposes of this Mineral Exploration Board will be to:

- a) *assist the Crees in accessing mineral exploration opportunities;*
- b) *facilitate the development of mineral exploration activities by Cree Enterprises;*
- c) *facilitate and encourage the access by the Crees and Cree Enterprises to regular Québec program funding and other encouragements for mineral exploration activities;*

- d) *act as an entry* mechanism for offers of services by Crees and Cree Enterprises in the field of mineral exploration.

On March 22nd, 2002, the Cree Regional Authority, the Québec Government and the CMEB signed an additional and specific Agreement entitled Agreement concerning Mineral Resources Development in the James Bay Region. Section 6 of the Agreement on Mineral Resources Development states the obligations of the CRA as, (among others), to:

Cover CMEB administrative expenses from its operating budget may include among others rent and office expenses, accounting and audit fees, the transportation and travel expenses of CRA representatives for meetings of the board of directors of CMEB.

Accordingly, the CRA has fulfilled this obligation through the recipient of funding identified in the *Agreement concerning a New Relationship between le Gouvernement du Québec and the Crees of Québec*, the Eeyou Eenou Limited Partnership, acting through its General Partner, the Cree Heritage Fund Foundation and the CMEB received an amount of \$ 320,000 to cover the above-mentioned administrative expenses for the financial year 2004-2005. This contribution of the Crees allows the CMEB to dedicate the total amount of the financial contribution provided by the MRNFP (\$300,000 annually) to the programs identified in CMEB's five-year work plan.

ACTIVITIES OF THE BOARD 2004 – 2005

Meetings and resolutions 2004-2005

The Cree Mineral Exploration Board held four (4) meetings during this year of operation. The first meeting of this 2004-05 financial year was held on May 25th 2004 in Rouyn where the Action Plan 2004-2005 was reviewed, the mineral exploration project submitted by Nimsken Inc. was approved, the Geo-economic Map of Eeyou Istchee was reviewed and commented, the issue of mining exploration on Category 1 lands was discussed, the presentations of the CMEB for the Conference Exploration on Mines scheduled on May 26th, 2004 in Rouyn were reviewed and commented and the Proposal for a Diamond Exploration Field Assistant was studied and approved and the funding agreement between the CRA and the CMEB concerning a partial grant to conduct a feasibility study for the creation of a Cree Mining fund was approved.

On August 23rd, 2004 in Mistissini, the CMEB approved prospecting campaigns submitted by Individual Prospectors, ratified the Funding Agreement between the CMEB and the Eeyou Eeyou Limited Partnership for the funding of the operating expenses of the CMEB, studied funding request and Investment opportunities submitted by junior mining explorations companies, approved the audited financial statements of the Corporation for the financial year ended March 31st, 2004, reviewed and commented the annual report 2003-2004, reviewed and commented the Rock Competition Contest Project and the Directors decided that the CMEB should participate actively in the annual symposium on exploration organized by the MNRFP in Québec City.

On November 26, 2004 the Directors held a post-mortem discussion on the Québec Symposium on Exploration, some prospecting projects from Cree companies and individual Cree prospectors were studied and approved, the Board reviewed and approved some final reports submitted by Cree exploration companies, approved the CMEB Rock Competition Contest, reviewed and commented the Training and Mineral Potential Project and discussed about the creation of a Cree public company.

On February 7, 2005 in Montréal, the Training and Mineral Potential Project was discussed and more particularly concerning diplomas (CÉGEP and University level) certified by the Ministère de l'éducation du Québec was discussed, the draft report concerning the Study of the Establishment of a Cree Mining

Investment Fund was studied and commented, final reports submitted by Cree exploration companies were reviewed and approved, a project submitted by an Individual prospector was approved, the possibility to have a sub-office in the community of Mistissini was discussed, the budget of the Corporation for the financial year 2005-2006 was approved, the CMEB designated representatives to attend to the annual convention of the Prospectors & Developers Association of Canada and approved the final report concerning the Mistassini Basin Study Research Project.

THE PROGRAMS OF THE CMEB

The CMEB has implemented the third year of its 2002-2007 work plan. The following is a summary of the activities and actions carried out by the CMEB for the five following programs: Awareness and Promotion, Training and Job Assistance, Prospector's assistance, Project Development and Entrepreneur's Assistance and Geosciences Expertise and Technical Assistance.

Awareness and promotion

Representatives of the CMEB have attended to various mining symposiums and conferences such as the Conference Exploration on Mines In Rouyn, the Canadian Aboriginal Minerals Association Conference in Yellowknife, the Annual Symposium on Exploration in Québec City and the Convention of the Prospectors and Developers Association of Canada in Toronto. A Poster was prepared for CMEB's kiosk and pamphlets were distributed during these events. Many junior exploration companies active on Eeyou Istchee showed a great interest in the CMEB. These events were also excellent opportunities to establish business alliance and to attract investments in Eeyou Istchee. The CMEB also intends to pursue with its publicity campaign to promote its programs to the Cree population with ads in Cree magazines (such as The Nation and Air Creebec's Destination), on Cree radios or by participating at science fairs hosted by Cree schools.

Furthermore, the CMEB collaborated in different meetings between the mining industries and the Cree Communities and also actively participated with the Secretariat to the Cree Nation–Abitibi-Témiscamingue Economic Alliance in the preparation of the Conference Exploration on Mines in Rouyn.

Training and job assistance

The CMEB provides recommendations of Cree workers when junior explorations companies request the help of the Cree work force. The CMEB is working in close collaboration with the Department of the CRA, the Cree Human Resources Development (CHRD) and in that regard, Mr. Abel Trapper, Sectorial Officer Construction and Mining, is regularly attending to CMEB's Board meetings. The CMEB thinks that a solid structure for a long-term mineral resources, environment and hydrology training is required. In that context, the CMEB is working towards the establishment of a training program that meets the certification requirements and for which the trainees will also have access to an On-the-Job Training Program. Discussions with different interveners from the government, the industry and the education sector such as the Cree School Board, CEGEP's and universities are being presently held in that regard.

The CMEB believes that the training in the mineral resources development should start as early as possible and in that regard, CMEB's Chief Geologist prepared a dynamic presentations to promote geosciences to the Cree youth studying at all school levels. The Chief Geologist also made numerous presentations in different Cree communities aimed at the vulgarization of sciences to explain geology and the mining domain.

Individual prospector

During this third year of activities, the CMEB has deployed great efforts to catch the interest of the Crees on individual prospecting activities. A lot of work has to be done to promote this program in order to incite more Cree prospectors to submit a prospecting campaign. Nevertheless, the three following agreements were executed under this Program and the results are very encouraging:

- Lac à l'Eau Jaune Project, M. Henry Salt; Phase 2.
- Assicana Lake Project, M. Harry Meskino and M. Longchap, Phase 2 and 3.
- Roche Rouge Project, M. Morley Gunner

Another prospecting project is in preparation for the up-coming financial year:

- Freget Lake South Project with M. James Georgekish

Development and entrepreneur's assistance

During the financial year 2004-2005, the CMEB has executed seven (7) Funding Agreements with mining exploration companies, individual prospectors and the Cree Nation of Mistissini. These Agreements provide funding for mining exploration activities for a total amount of \$ 178,220 in direct funding. Out of these seven (7) Agreements, two (2) of them provides that the CMEB funds 50% of the admissible cost related to mining exploration. Overall, approximately \$260,000 has been spent or will be spent on mining exploration activities carried out on Eeyou Istchee. The Agreements executed since July 2003 between the CMEB and Cree exploration companies confer to the CMEB a royalty of 1% if the exploration project results in the commercial exploitation of a mining deposit. The above-mentioned Agreements are the following:

- *Agreement 2004-01, between the CMEB and Cree Nation of Mistissini;*
- *Agreement 2004-02, between the CMEB and Nimsken Inc – Project Name: NTS 32J/02, 32J/03;*
- *Agreement 2004-03, between the CMEB and Econotec – Project Name: Cree mining investment fund;*
- *Agreement 2004-05, between the CMEB and M. Morley Gunner;*
- *Agreement 2005-01, between the CMEB and Nimsken Inc – Project Name: Michwacho Property;*
- *Agreement 2005-02, between the CMEB and Nimsken Inc – M. Henry Salt;*
- *Agreement 2005-03, between the CMEB and Nimsken Inc – M. Harry Meskino and M. Longchap;*

The CMEB has executed the Agreement 2004-01 with the Cree Nation of Mistissini for a project entitled: «Diamond exploration field assistant training». The project is being carried out in collaboration with the Cree Nation of Mistissini and the input of the Cree Mineral Exploration Board consisted to supply and coordinate the services and provide field assistance.

The CMEB has also executed another agreement with Econotec for a Study of the Establishment of a Cree Mining Investment Fund and such fund would promote mining exploration in Eeyou Istchee.

After purchasing 100,000 shares of Niogold Inc, who has a project known as: «Montivel Carbonatite» in the area of Waswanipi, the CMEB has also executed a Subscription Agreement with D'Arianne Inc, a

public junior exploration company, for the purchase of shares for an amount of \$50,000. D'Arianne Inc. has a very interesting exploration project located on Category III lands of Eastmain, Nemaska and Wemindji. These D'Arianne's exploration projects are foreseen to provide direct employment and economic spin off for these communities.

New projects

The CMEB has already received several proposals from Cree and non-Cree companies, for the up coming financial year 2005-2006. The CMEB is open to evaluate any serious projects that could benefit to the Crees from any mining exploration company. Several projects from companies such as SIROIS Resources, Appalache Resources and Matamec were submitted to the CMEB. These companies are seeking Joint Ventures or investments and they are planning to hire Cree communities' employees and provide contracts to Cree services companies. These projects will be further studied and evaluated by the CMEB in this coming year.

Geosciences expertise and technical assistance

The CMEB has produced a map entitled: «Eeyou Istchee Geo-Economic Map» (scale 1/500 000). This map, which will be soon published on the CMEB website, provides details on high mineral potential areas of Eeyou Istchee and it also indicates the Cree trapline system and allows each Cree tallymen to evaluate the mineral potential of his trapline. The CMEB also collaborate with scientific organizations such as the National Institute for Scientific Research, École Polytechnique of Montréal, the University of Québec in Montréal (UQAM) and Geological Survey of Canada on various geological and geophysical research projects. The purpose of the collaboration with these organizations is to improve the geological knowledge of the Crees and of Eeyou Istchee's mineral resources. The CMEB also provides assistance to Cree Entities such as the Grand Council of the Crees (EI) and the Cree communities and answers daily from its head office In Wemindji and soon from its sub-office in Mistissini to the questions of prospectors and exploration (Cambior, Virginia, Soquem, Matamec, Azimut, Ios, Sirios etc.) companies concerning the accessibility to the Cree Territory. The CMEB facilitates the companies' intercommunication, co-ordination and employment services with the community concerned by the projects.

COLLABORATIONS

Ministère des ressources naturelles et de la faune (MRNF)

The Board has continued the development of collaborative and mutually fruitful relationships with the MRNF and its mining department. Among other initiatives, the MRNF has engaged into the promotion of the CMEB by informing directly all companies detaining mining titles in the James Bay Territory of the existence of the CMEB and also in including CMEB's coordinates on its web site. Furthermore, MRNF has set up an internal monitoring program of Cree employment in the mining sector and the Government has also put in place a consultation mechanism with the CMEB on its own mapping programs in the Eeyou Istchee.

Cree Human Resources Development (CRA Department) and Cree School Board (Postsecondary Program)

The CMEB intends to pursue its collaboration with the CHRD and the Cree School Board to develop and fund a long-term certified training program in mineral resource. The program to be design for Crees should lead soon to negotiations with the CEGEP of Rouyn-Noranda, Université du Québec Abitibi Témiscamingue and AEQ.

Cree Schools of each Cree community

The CMEB participate in the scientific education in several Cree communities with establishing a dynamic link with the Cree School Board. The objective of this kind of events is to promote geosciences in future generations. Presentations in different primary and secondary as well as adult schools of the Cree School Board are given by the CMEB Chief Geologist. The subjects concern the Earth Sciences, Environment, Mineralogy and Mining. It consists of vulgarization of sciences and facilitates access to both geological and mining domains.

FINANCIAL OVERVIEW

CREE MINERAL EXPLORATION BOARD FOR THE YEAR ENDED MARCH 31st, 2005

FUNDING FROM QUÉBEC GOVERNMENT	AMOUNT (\$)
2001-2002	300,000
2002-2003	300,000
2003-2004	300,000
2004-2005	300,000
Total	1,200,000
Balance receivable at year end:	150,000
ALLOCATION OF QUÉBEC FUNDING IN 2004 – 2005	
Nimsken Inc.	
- Agreement 2004-002	45,750
- Agreement 2005-001	34,000
Cree Nation of Mistissini	
- Agreement 2004-001	20,000
Henry Salt – Individual prospector	

- Agreement 2005-002	11,100
Harry Meskino – Individual prospector	
- Agreement 2005-003	17,550
Morley Gunner – Individual prospector	
- Agreement 2004-003	10,245
Econotec Inc.	
- Agreement 2004-003	39,575
FINANCIAL ASSISTANCE PROVIDED SINCE 2002	
2004-2005	178,220
2003-2004	262,322
2002-2003	169,242
Total	\$609,784

OVERVIEW OF THE FINANCIAL ASSISTANCE AWARDED
FOR EXPLORATION PROJECTS SINCE 2002

	Allocated (\$)	Paid (\$)	Payable (\$)
Wemindji Exploration Inc.			
- Agreement 2003-001	113,587	113,587	
- Agreement 2003-002	25,515	25,515	
Cree Gold Exploration Inc.			
- Agreement 2003-003	5,185	5,185	

- Agreement 2003-005	60,650	60,650	
- Agreement 2003-009	50,000	15,000	35,000
Nimsken Inc.			
- Agreement 2003-004	25,755	25,755	
- Agreement 2003-006	25,000	25,000	
- Agreement 2003-007	50,000	50,000	
- Agreement 2003-010	17,500	17,500	
Cree Nation of Mistissini			
- Agreement 2003-011	30,500	30,500	
- Rayle Project	11,800	11,800	
- Assicana Lake Project	16,072	16,072	
- Niogold	35,000	35,000	
Cree Nation of Mistissini			
- Agreement 2004-001	20 000 \$	18 000 \$	2 000 \$
Nimsken			
- Agreement 2004-002	45,750	16,013	29,737
Econotec			
- Agreement 2004-003	39,575	39,575	
Nimsken			
- Agreement 2005-001	34,000	11,900	22,100
- Roche Rouge Project	10,245	2,880	7,365

- Lac à l'eau Jaune Project II	11,100	1,000	10,100
- Assicana Lake Project II	17,550	1,200	16,350
TOTAL	609,784	447,557	162,227
FUNDING FROM CRA – OPERATIONS			
Funding for 2004-2005	320,000		
Differed revenue from 2003-2004	186,141		
Subtotal	506,141		
Expenses incurred (including some expenses incurred in 2003-2004)	542,545		
Balance	(36,404)		