

Dec 1, 2014

Dear Ms Howe

Please find enclosed the first of two emails that detail the Dam Safety Inspection report for SnipGold's Johnny Mountain Mine Tailings Facility. The transmission of this report has been broken into two parts due to the overall size of the full document and Appendices. This is the first of the two emails, next email will have the appendices, roughly 12meg in size.

The site inspection was completed on September 11, 2014 and had the following recommendations.

- 1) As indicated in Section 3.2, localized cracks identified at various locations along the dam crest and the interior slope be specifically observed and monitored using photo comparison techniques, to determine if the crack propagation is significantly progressive, and if rehabilitation work is warranted in the future. In-filling of these cracks with sand or an equivalent is recommended but not urgently required.
- 2) As indicated in Section 4.2, given that the quantity of functioning piezometers has decreased since construction, and the reliability of others is questionable, JRT recommends the installation of approximately four (4) replacement piezometers to assist with ongoing performance monitoring.
- 3) As indicated in Section 4.3, given the uncertainties regarding the reliability of the current weirs, JRT recommends the installation of four (4) robust / permanent weirs at locations similar to those currently installed, to facilitate more consistent and repeatable weir flow measurements in the future.

SnipGold intends to follow through with all recommendations in the **"2014 Snip Gold - JM TSF Dam - Dam Safety Inspection Report FINAL.pdf"** report. The dam is classified as a "Low Consequence" structure and it has also been deemed to be in good order and none of the recommendations are sited as being in urgent need of attention. As such SnipGold is proposing to undertake a staged deployment of the work recommended for the Johnny Mountain Mine Tailings Dam facility.

SnipGold's ability to raise funds for field activities has been severely impacted by the current depressed financial conditions the junior mineral exploration sector is experiencing. For the past two field seasons, SnipGold has completed exploration programs that were only a few days in duration. In association with those mini-field programs we have also completed the water quality sampling work as part of our Annual Reclamation Report for Johnny Mountain Mine site. We have also completed in-house inspections of the tailing facility at Johnny Mountain, this year, 2014, we have had an independent engineer conduct the site inspections as well and that report is attached in this email.

We are not anticipating a positive correction in financial markets in the short term, and it is most likely that our ability to raise capital will continue to be very limited. Nevertheless we expect to continue to maintain the annual water quality sampling at Johnny Mountain Mine, as well as the in-house tailings dam inspections. We will look to now incorporate some of the recommended tailings dam work recommended in the attached report as part of the field activities, the extent of which will be controlled by our ability to finance those activities. We will start with items 1 and 3 above, the crack repair and weir upgrades as part of our field activities. We will need to postpone the piezometer replacement until

we undertake the next drill program on our property, at that point we will look to divert part of the drill budget to the piezometer replacement.

I hope you find the attached report meets your requirements and that our approach to the implementing the recommendations in the Dam Inspection report is adequate.

Thank you.

John Z

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