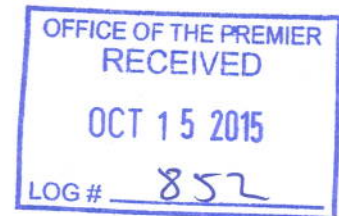


October 14, 2015

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The Honourable Peter Taptuna
Office of Premier Peter Taptuna
P.O. Box 2410
Iqaluit, NU X0A 0H0



Dear Premier Taptuna,

Thank you for sharing your concerns in your letter dated October 6, 2015. Canadian North has carefully reviewed your comments and I want to assure you that we are fully committed to working with you to address the issues you have raised. This includes both resolving any issues that directly pertain to Canadian North, as well as communicating with our codeshare partner regarding any issues that involve both airlines or the codeshare arrangement in general. Your letter sets out a variety of concerns in broad terms. We would appreciate it if you can provide us with as much information as possible regarding these issues, as this will significantly improve our ability to develop effective solutions in a timely manner.

As your letter is addressed to three airlines I feel it is important to explain that the agreement between Calm Air and First Air is entirely unrelated to the codeshare agreement between Canadian North and First Air. Canadian North is not party to this agreement, and only became aware of it the day before it was announced by Calm Air and First Air. As such, I cannot comment on any of the concerns you may have regarding air services provided to the Kivalliq region, nor does Canadian North have any influence on those matters.

Canadian North has also received the letter that you referenced from the Government of Nunavut Department of Health dated September 22. Canadian North is working closely with Deputy Minister Stockley's team to obtain further details on the specific issues that she has outlined. Lorraine Bonner, Canadian North's Vice-President of Scheduled Services and Cargo, was in Iqaluit last week to meet with representatives from several Government of Nunavut departments to ensure we have a clear understanding of all outstanding issues.

Canadian North fully understands the importance of our role in the timely transport of time-sensitive freight, including blood samples, medical tests and water quality tests. I have instructed our cargo team to take immediate steps to ensure that Canadian North handles these types of shipments on a priority basis at all times.

We also understand the crucial role we play transporting food shipments to communities across Nunavut. We work closely with our retail cargo clients to ensure that their shipments move to the communities in our network in a timely manner. While we are not aware of any specific issues relating

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to Canadian North's handling of food shipments, please let us know if you have any specific concerns in this regard so that we can take steps to address them.

As a general comment regarding delays and capacity, during the month of August we unfortunately experienced an unusually large number of weather-related flight delays and cancellations throughout the Baffin. The community of Pangnirtung was particularly hard hit, sustaining a cancellation rate of 40% of all flights during the month of August – almost three times the normal cancellation rate for this community. This created a backlog of passengers which took some time to clear. That being said, we appreciate the need to effectively recover from such events and are working with our codeshare partner to ensure appropriate recovery plans are in place.

I have requested details of any instances where regular and GN duty travel passengers holding full-fare tickets were bumped from flights, something which should not be occurring under any circumstances. We have not been able to identify any occurrences of this happening to customers on Canadian North-operated flights, however we are happy to further investigate any specific instances you may be aware of.

I appreciate your comments regarding the Trans-territorial flight schedule offered by Canadian North and our codeshare partner, and I understand your concern. While we cannot control which days our codeshare partner chooses to operate their flights (Tuesdays and Sundays), we do have discretion over which day we operate ours (Thursdays). Canadian North is happy to discuss making appropriate adjustments to the Trans-territorial flight schedule that the Government of Nunavut believes will better serve our shared stakeholders.

I have requested details regarding any instances where Canadian North has been unable to accommodate athletes or sports teams. The only recent instance that we have been able to identify was a team that was booked on First Air flights between Hall Beach and Igloolik earlier this month. The team approached Canadian North after First Air cancelled their flight, but we unfortunately did not have available seats to accommodate them on short notice. Hall Beach and Igloolik are not serviced through the codeshare between Canadian North and First Air, so this situation is unrelated to our codeshare arrangement. I believe the issue of extended stays for athletes travelling for tournaments may be related to the Tuesday-Thursday-Sunday schedule of the Trans-territorial flights. As previously mentioned, Canadian North is open to discussing appropriate adjustments to the Trans-territorial flight schedule.

I have also requested information on seat availability and pricing in the Kitikmeot region to ensure we continue to offer appropriate capacity and fares. Peter McCart, Canadian North's Senior Vice-President of Scheduled Services, was in Cambridge Bay last week to provide an update to attendees of the

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Kitikmeot Inuit Association AGM and receive their feedback. We are open to reviewing our flight schedule and making changes where appropriate to ensure we effectively meet the needs of the markets we serve.

I want to assure you that the codeshare agreement has not affected our pricing. We continue to offer competitive passenger and cargo pricing in all markets we serve and price independently of First Air. Also, please note that Canadian North's Pivut fare remains unaffected by the codeshare agreement. We continue to offer reduced Pivut fares to our beneficiary customers on all of our flights and routes (including codeshare flights operated by First Air). As Pivut fares are offered at a substantial discount, this fare is not available on all seats, and consistent with traditional airline revenue management, we balance Pivut fare seat inventory with our other fare offerings by increasing and decreasing the allotment based on space available. That said, I can confirm that the current percentage of inventory allocated towards Pivut fares has not changed.

Although I appreciate receiving your letter and look forward to discussing these issues further, it is concerning that we have not received similar feedback from your staff on a regular basis through our normal channels. In a proactive effort to improve our lines of communication with the Government of Nunavut, we have assigned Cindy Twerdin, our Iqaluit-based Director of Airports & Cargo Operations for Nunavut, to be your point of contact. She can be reached via email at ctwerdin@canadiannorth.com or by telephone at 1.867.979.8245. We will notify our contacts within the Government of Nunavut of her availability, and invite them to contact her with details of concerns when required. I am hopeful that this step will allow us to identify and resolve any future concerns as quickly as possible.

Thank you, Premier Taptuna, for providing us with your feedback. Canadian North takes great pride in providing safe, reliable and efficient air services to Nunavummiut and we are committed to working together in addressing the concerns you have raised. I am available to answer any questions you have. Please do not hesitate to contact me if I can be of any assistance.

Sincerely,



Steve Hankirk
President
Canadian North

CC: Mr. Brock Friesen, President & CEO, First Air
Mr. Gary Bell, President & CEO, Calm Air
Cabinet Ministers
Members of the Legislative Assembly

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13, 2015

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13, 2015

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