

Subject: CMR's Water Requirements

Castle Mountain Resort requires an increase in its license to draw water from the aquifer in order to make snow to cover its lower ski runs. Snow making is necessary in order to insure Castle's regular operating season. Snow making will also be required in order for Castle to meet the requirements for staging the snow events at the 2019 Canada Winter Games should Lethbridge win the bid for these games. An increase of approximately 150,000 cubic meters per year is needed.

Castle currently has two water licenses. One license permits us to draw approximately 40,000 cubic meters from the aquifer. We rely on this to supply municipal water to the resort. The second license permits us to collect runoff water in Haig Valley for snow making. We have never used this license because the cost of a snowmaking system sourced from an alpine reservoir is prohibitive compared to a system sourced from the aquifer. An alpine system requires building collection lagoons in a pristine alpine valley located approximately 1,500 feet higher than the village, and installing a high pressure pipeline to move the water to the base area. None of this infrastructure will be required if we are permitted to take snow making water from the aquifer which is already connected to our distribution system.

In addition to a higher capital costs, an alpine system has significantly higher maintenance and operating costs. Castle Mountain Resort is a small business (less than \$1 million per year of cash flow). Even if the 2019 Games is willing to fund the capital component of an alpine system we are unwilling to commit to fund what would be a permanent increase in our operating and maintenance costs.

Castle mountain is blessed with abundant snowfall. Snowmaking is just insurance. Most years snowmaking doesn't add a single dollar of revenue or cash flow to our business. So like any insurance, we have to be very careful what it costs us.

Finally, we are only borrowing water to make snow. Every spring it melts and returns to the aquifer.

Regards

Kevin Finn
Chair of the Board of Directors
Castle Mountain Resort Inc.