



Water Resources Division
Nunavut Regional Office
Iqaluit, NU X0A 0H0

Your File: 2BE-BLU
Our File: IQA-N 9545-2-BLU

May 5, 2008

Richard Dwyer
Licensing Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

**Re: 2BE-BLU – Alyris Gold Corporation – Blue Caribou Project, Kitikmeot
- New Type “B” Water Licence**

Indian and Northern Affairs Canada (INAC) reviewed the Type B Water License Application for the Blue Caribou Project in the Kitikmeot Region, submitted to the Nunavut Water Board (NWB) by Alyris Gold Corporation on April 16, 2008. In conducting our review, INAC referred to the documents on the NWB's FTP-site under 2BE-BLU.

INAC recommends that the Nunavut Water Board take into consideration the following comments when reviewing this licence application:

General

- Dundee Precious Metals will be responsible to make sure that Alyris Gold Corporation complies with all terms and conditions of the water licence at Goose Lake Camp.
- The proponent should be encouraged to apply for a 5 year water licence rather than a 2 year licence. Consultation with the Proponent regarding this proposed licence term is advised.
- INAC would like clarification on the proposed Blue Caribou Project. In the proponents project summary the proposed program is scheduled between March 15th, 2008 and December 1st, 2008. However, the proponent has permission to use the Goose lake camp owned by Dundee Precious Metal Inc. for a period of 8 weeks from May to June 2008. The proponent should provide a consistent plan of scheduled work after June 2008, if any.
- All fuels and chemicals must be stored at a minimum distance of 30 metres from all fresh water bodies, preferably in an area of low permeability. Drums should be stored on pallets to prevent the drums from being damaged, rusting and leaking.
- Unless burned in an approved incinerator, all waste oils and waste fuels should be removed and back hauled for recycling or proper disposal.
- Drill cuttings and wastes must be contained in an individual sump that does not allow for seepage into any waters or onto any land surface.



- In the event that a fuel/oil spill occurs on the land, the contaminated soil should be removed immediately and placed in drums until it can be treated or disposed off appropriately.
- For waste oil and hazardous waste removal; the proponent is encouraged to contact the Government of Nunavut (Environmental Protection) before transporting hazardous wastes and waste oils in Nunavut.
- Used drums and propane tanks must be back hauled and returned for proper disposal.

Spill Contingency Plan

- The Spill Contingency Plan should include contact information for Peter Kusugak, Manager of Field Operations, INAC Nunavut Regional Office (NRO); Melissa Joy, Water Resource Officer (Kitikmeot Region); and Baba Pederson, Resource Management Officer (Kitikmeot Region).

Peter Kusugak, Manager
Tel: (867) 975-4295
Fax: (867) 979-6445
Email: KusugakP@inac-ainc.gc.ca

Baba Pederson, Resource
Management Officer
Tel: (867) 982-4306
Fax: (867) 982-4307
Email: PedersenB@inac-ainc.gc.ca

Melissa Joy, Water Resource
Officer
Tel: (867) 982-4302
Fax: (867) 982-4307
Email: JoyM@inac-ainc.gc.ca

- A detailed schematic diagram indicating fuel storage, spill kits, building structures, water bodies and drainage basins, and fuel transfer areas should be included into the spill plan.
- The proponent should provide in the plan, an on-site contact number (SAT phone) in case of an emergency (i.e. Fuel and chemical spills).

Abandonment and Restoration (A&R) Plan

- INAC recommends that the proponent provide a detailed plan for fuel and chemical storage during the winter months when the camp is not occupied.
- Drill rods and casings should be removed or cut off at ground level upon completion of the drilling season.
- All drill holes should be sealed and capped at ground level to prevent the degradation of permafrost. The company should plug holes at the bottom of the permafrost if drilling extends through the permafrost. The Board also should request the company to provide the depth of permafrost at drill holes in their annual report to the Board.



- Drill additives or drill mud should not be used for ice-based drilling operations unless they can be re-circulated or contained so that they do not enter the water or are proven to be non-toxic.

Should you have any questions or comments, please do not hesitate to contact me at (867) 975-4568 or by email at Rumboltl@inac-ainc.gc.ca.

Sincerely,

Original signed by

Ian Rumbolt
Water Resource Technician

Cc. Jim Rogers, Manager of Water Resources – Indian and Northern Affairs
Canada, Nunavut Regional Office