

SUMMARY OF THE CURRENT APPLICATION OF PROVISIONS OF THE TYPE A WATER LICENCE

By letter of January 13, 2009, we identified a number of clauses in the Water Licence that are not applicable to HBML's current operations. We have reattached our markings of these sections of the Water Licence and have provided a brief explanation of these changes below. In general, the clauses applying to mining and milling operations and tailing and waste management are not applicable as those facilities and activities are not currently being conducted. As well, the clauses applying to the land fill (Part G, Item 9) and the land farm (Part G, Item 14) are not applicable as those facilities have not been established.

Identification and description of Licence Conditions which are not currently applicable to HBML's operations.

| Water Licence Provisions | Status |
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| Part C, Item 2 | This provision will be triggered by the start of ore processing – which has not yet occurred. |
| Part D, Item 24 | No underground mining has commenced. |
| Part D, Item 26 | No structures designed to contain, withhold, divert or to retain waters or wastes have been constructed. |
| Part D, Item 28 | None of these structures have been constructed. The requirement is not applicable to our current operations. |
| Part E, Item 1 | No water is being drawn from Doris Lake at this time for mining and milling uses. Doris Lake water is being used for domestic camp purposes (see discussion of algae problem) and for dust suppression and other incidental uses. |
| Part E, Item 2 | There is no Tailings Impoundment Area at this time. |
| Part F, Item 1 | <p>A draft Water Management Plan was submitted with MHL's application for the Water Licence. As mining and milling has not commenced and there is no Tailings Impoundment Area, HBML has not updated this plan. The provisions of the Water Management Plan relating to these facilities and operations are not yet applicable.</p> <p>Section F (1)(a) and (1)(b) are not applicable to our current operations.</p> <p>Section F (1)(c) is not applicable to a Pollution Control Pond because one has not been established.</p> |
| Part G, Item 7 | An Incineration Management Plan is being prepared at the moment as part of the material management plan. The dual chamber incinerator at Doris North is designed to meet the Canada-wide standards for dioxins, |

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| | <p>furans and mercury.</p> <p>The provision of this requirement that calls for compliance with Section G.9 is not applicable because HBML does not have a Landfill as KIA has not authorized HBML to establish a Landfill.</p> |
| Part G, Item 9 | <p>There is no Landfill in operation at the current time. The KIA has not authorized HBML to construct a Landfill.</p> <p>Currently, we are shipping waste south for final treatment in a qualified facility or incinerating waste on site as permitted under the Water Licence.</p> <p>Our current operations, concentrated on advanced exploration, do not produce as much waste as was contemplated for the assessed mine operations.</p> |
| Part G, Item 11 | <p>A Hazardous Materials Management Plan was submitted with MHBL's application for the Water Licence. Additionally, HBML has an Emergency Response and Spill Plan in place. These Plans are currently being updated to reflect current site operations. Hydrocarbons and potassium nitrate are the two most common substances that require management. Hazardous Materials such as sodium cyanide have not been brought to site because the mill has not yet been constructed. HBML has a waste generation number and all shipments are covered by TDG.</p> |
| Part G, Item 14 | <p>There is not a Landfarm and therefore this condition is not applicable to our current operations. Currently, there are only insignificant volumes of contaminated soils to farm. Any small amounts of hydrocarbon contaminated soils are being barrelled and shipped south for treatment.</p> |
| Part G, Item 15-18 | <p>HBML is not mining and as such, does not have any waste rock. These requirements are not applicable to our current operations.</p> |
| Part G, Item 20 | <p>There is no Pollution Control Pond at this time. This requirement is not applicable to our current operations.</p> |
| Part G, Items 22-31 inclusive | <p>There is no Tailings Impoundment Area at this time. These requirements are not applicable to our current operations.</p> |
| Part J, Items 2, 4, 8, 11, 12(b), (c), (d), (e), (g), 13, 15, 16, 17, 18(a), (c), (d), (g), (h), (k), (m), (n), (o), 20(a), (b), (c), (d), 21(b), (d), (e) | <p>Each of these items is contingent upon the establishment and operation of the Tailings Impoundment Area, the Landfill, Landfarm and Pollution Control Pond, and other facilities which have not yet been constructed or put in operation. These requirements are not applicable to our current operations.</p> |
| Part K, Item 5 | <p>A Monitoring and Follow-Up Plan was submitted with MHBL's application for the Water Licence. Most of the components of the</p> |

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| | Monitoring and Follow-Up Plan relate specifically to mining and milling effects and as such these requirements are not applicable to our current operations. The other components such as air quality, noise and wildlife are addressed in other plans applicable to current operations. |
| Part K, Item 6 | Neither the Temporary Waste Pad nor the Pollution Control Pond has been established or put into operation. This requirement is not applicable to our current operations. |
| Part L | There is an Interim Reclamation and Closure Plan filed with NWB. Generally, since HBML is not currently undertaking mining operations, these provisions are not applicable; however, the requirements will be followed as appropriate for existing facilities, activities and infrastructure. |
| Schedule B, Items 3, 4, 5, 6, 7 and 10 | The Tailings Impoundment Area and other facilities have not yet been constructed or put into operation and therefore, HBML is not able to provide or describe the listed items for its Annual Report. |
| Schedule D, Item 1(l) | This item is not applicable to our current operations as it only applies to the construction of the north and south dams. |
| Schedule J, Table 2 | This item is not applicable to our current operations. Certain requirement for monitoring that relate to releases associated with the proposed mining and milling operations, such as monitoring discharges from the TIA, underground mine water, discharge from the Pollution Control Pond, are not applicable to our current operations. |