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Your file - Votre référence
NWB file #: **2BE-HIG0712**
Our file - Notre référence
File # / CIDMS #: **393993**

March 19, 2010

Phyllis Beaulieu, Manager of Licensing
Nunavut Water Board
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Re: 2BE-HIG0712 - Amendment – MMG Resources Inc. - High Lake Project

Please be advised that Indian and Northern Affairs Canada (INAC) has completed a review of the MMG Resources Inc.'s amendment application for Water License #2BE-HIG0712, High Lake Project located in the Kitikmeot Region of Nunavut. All associated documents related to this license posted on the Nunavut Water Board (NWB) ftp website under 2BE-HIG were included in my review (please see attached technical memo for recommendations).

Should you have any questions or comments, please do not hesitate to contact me at (867) 975-4738 or by email at Andrea.Cull@ainc-ianc.gc.ca

Sincerely,

Original signed by

Andrea Cull
Water Management Specialist

Cc. Lou-Ann Cornacchio - Manager of Water Resources, INAC

Technical Review Memorandum

To: Phyllis Beaulieu – Manager of Licensing, NWB

From: Andrea Cull – Water Management Specialist, INAC

Re: 2BE-HIG0712 - Amendment – MMG Resources Inc. - High Lake Project

Purpose

The purpose of the application for an amendment is given as expanding the area of work, exploration and drilling.

Background

MMG Resources Inc. submitted an amendment application to the NWB on February 15, 2010 to Water License #2BE-HIG0712, High Lake Project.

MMG Resources Inc. is requesting to operate a new temporary camp site (in addition to the High Lake Camp) and conduct a diamond drilling program on the company's MolyMag Property, located approximately 550km north of Yellowknife. The current license allows for diamond drilling operations based out of the High Lake Camp.

The High Lake Camp has been deemed to be too far from the MolyMag property to efficiently conduct a diamond drill program.

INAC has reviewed the following documents:

- Cover letter dated January 15, 2010
- Water License Application Form
- Location Map MolyMag Project, Figure 1
- Areas of Work, Figure 2
- Proposed Camp, Figure 3
- Exploration/Remote Camp Supplementary Information
- MolyMag Project Summary
- Abandonment and Restoration Plan
- Spill Contingency Plan with MSDS Sheets

All associated documents related to this license posted on the NWB ftp website under 2BE-HIG were included in my review.

The following comments/ recommendations are provided for your consideration:

RECOMMENDATIONS:

INAC recommends that a separate water license be issued by the NWB for this location.

It should be taken into consideration that the High Lake Camp and the MolyMag Camp would be obtaining water from two different water sheds therefore require to separate water licenses.

The MolyMag Camp location requires fly-in access therefore more details should be provided on the runway area/ float plane area, ie: map and detailed descriptions.

The following comments/ recommendations are provided based on the submissions that were provided in this review:

1) Drilling Operations

INAC recommends that all drill cuttings are placed in drill holes, sumps, or removed from the project area for appropriate treatment. All sumps shall be backfilled and contoured to prevent precipitation run-off collection prior to the end of the project field season.

INAC recommends that the proponent provide an operational plan detailing how diamond drill return-water will be managed so as to minimize the impact on the quality of nearby freshwater sources. The Plan should consider the use of hot water rather than drill additives to support permafrost drilling operations as a means of protecting freshwater quality and/or how any use of CaCl₂ (Calcium Chloride) will be handled to minimize or prevent any adverse effects to water.

Drill additives or mud should not be used with holes drilled through ice unless the mud is re-circulated and contained and all drill cuttings are removed from the ice surface.

2) Waste

a) Camps / Wastewater Disposal

INAC recommends that all sumps for the disposal of grey water should be located a minimum distance of 31m from any water body and such that there are no adverse effects to the quality, quantity and flow of water. Furthermore, all sumps should be treated, backfilled and contoured to match the surrounding landscape prior to the end of the projects field

program.

b) Hazardous Wastes

INAC recommends that Hazardous waste/ waste oil materials stored on-site should be clearly labeled so they will be visible under all conditions and in all seasons. This recommendation is intended to prevent possible damage to the containers.

INAC recommends that the proponent remove all hazardous materials/ waste oil from the site on a regular basis to prevent the over accumulation of these materials. Hazardous waste/ waste oils must be disposed of at an approved facility outside of the Territory of Nunavut (no known facilities within Nunavut). All transfer of this type of waste must be in accordance with the Government of Nunavut (GN)'s "Guideline for General Management of Hazardous Waste - January, 2002". In addition hazardous wastes should be stored within a lined secondary containment structure to prevent any off site impacts (other secured structures would also be acceptable).

c) No Open Burning

According to Environment Canada's (EC) Technical Document for Batch Waste Incineration Guidelines, there should be no open burning of plastics, wood treated with preservatives, electrical wire, Styrofoam, asbestos or painted wood. This is to prevent the deposition of waste materials from incomplete combustion and/or leachate from contaminated ash residues from affecting any surrounding waters.

d) Incineration

EC's Technical Document for Batch Waste Incineration Guidelines recommends that a facility incinerating more than 26 tones of waste per year should do so with a dual chamber, controlled air incinerator. The proponent shall make determined efforts to achieve compliance with the Canada-Wide Standards for Dioxins and Furans and the Canada-Wide Standard for Mercury Emissions. Efforts should include the implementation of a comprehensive waste management strategy (especially waste segregation) that is designed to reduce and control the volumes of wastes produced, transported, and requiring disposal.

3) Spill Contingency Plan

The Spill Contingency Plan should make reference to the Nunavut Spill Report Line and include a copy of the Nunavut Spill Report Form. This form can be obtained from the Nunavut Water Board public registry at <http://www.nunavutwaterboard.org>. Please note that the 24-hour Spill

Report Line telephone number is (867) 920-8130 and facsimile number is (867) 873-6924. Furthermore, INAC requests the proponent report all spills to INAC's Manager of Field Operations, phone: (867) 975-4295, fax (867) 975-6445 as well as the Nunavut Spill Report Line.

Prepared by: Andrea Cull – Water Management Specialist, INAC

Cc. Lou-Ann Cornacchio - Manager of Water Resources, INAC