Indian and Northern Affaires Indiennes
Affairs Canada et du Nord Canada

WATER USE INSPECTION REPORT FORM

| Date: July 10, 2011 | Licensee Rep. (Name/Title): Ted Muraro | |
|---|--|-------------------------|
| Licensee: MMG: Mineral and Metals Group | | Licence No: 2BE-IZO0712 |

WATER SUPPLY

| Source(s): Ham Lake | Quantity used: Unknown – Records provided on site (21,020 L)- camp |
|---------------------------------------|---|
| Owner: MMG : Mineral and Metals Group | |

Indicate: A - Acceptable U - Unacceptable NA - Not Applicable NI - Not Inspected

| Intake Facilities: A | Storage Structure: A | Treatment Sys: A | Chemical Storage: NA |
|----------------------|----------------------|---------------------|----------------------|
| Flow Meas. Device: A | Conveyance Lines: A | Pumping Stations: A | Screen : A |

Comments: Water is drawn from Ham Lake. Water is pumped to holding tanks. Water for consumption is run through a series of 2 and 5 micron filters and UV treated prior to use. Records for usage were reviewed on site. Water for camp use is metered. Meters are to be installed on pumps for drill water before the period of the next inspection. Accurate water records are to be submitted with the 2011 Annual report.

WASTE DISPOSAL

Sewage: Sewage Treatment System (Prim./Sec/Ter.): Human wastes are incinerated on site

| Natural Water Body: NA | Continuous Discharge (land or water | er): NA |
|------------------------|-------------------------------------|------------|
| Seasonal Discharge: NA | Wetlands Treatment: NA | Trench: NA |

Comments: Sewage wastes are incinerated on site. Depending on activity levels in future years the licensee will look at other options for the treatment and disposal of waste water.

Solid Waste:

| Landfill: NA | Burn & Landfill: NA | Other: Incinerator & backhaul |
|--------------|---------------------|-------------------------------|
|--------------|---------------------|-------------------------------|

Comments: Hazardous wastes have been shipped off site to an off site expediter. Licensee is to provide the signed shipping documents at licensed treatment facility with 2011 Annual report. This is to include hazardous wastes from 2010 and 2011. All other wastes are either shipped off site to Yellowknife or incinerated on site. It is noted that a recycling program was initiated in camp for plastic bottles and cans.

FUEL STORAGE:

Indicate: A - Acceptable U - Unacceptable NA - Not Applicable NI - Not Inspected

| Berms & Liners: U | Water within Berms: NA Evidence of Leaks: NI | |
|------------------------|--|--|
| Drainage Pipes: NA | Pump Station & Catchments Berm: NI | |
| Pipeline Condition: NA | Condition of Tanks: A | |

Comments: At the IZOC site there is a number of old tanks that were identified in previous inspections. These tanks appear to have been registered with Environment Canada and a registration number is noted on the tanks. These tanks are not in service and can not be filled until properly tested. Fuel for the camp is stored in 4 double walled containers. These are filled via bower truck when fuel is transferred from the Lupin site by Plane to the IZOC strip. The Licensee is to install secondary containment (Liner) at the fuel transfer area as well as the heavy equipment parking location adjacent to the power generators. The Licensee is also to post the Spill contingency plan at the fuel transfer areas and keep accurate records of all spills on site and at drill locations.

Waste Oil Storage: None noted, All Barrels have been shipped off site.

SURVEILLANCE NETWORK PROGRAM (SNP)

| Samples Collec | cted | Owner /Operator: MMG- Sampling results to be provided in Annual report. | |
|---|----------|---|---------------|
| None | | INAC: | |
| Signs Posted | SNP: Nor | ne | Warning: None |
| Records & Reporting: Annual reporting (sampling and analysis) is required. | | | |
| Geotechnical Inspection: N/A | | | |

Indian and Northern Affaires Indiennes
Affairs Canada et du Nord Canada

Non-Compliance of Act or Licence: To ensure compliance the licensee has committed to comply with the following requirements;

- The Licensee is to provide up-dated spill contingency plans with the 2011 Annual report
- Water meters are to installed on all drills
- Accurate water usage is to be provided in the 2011 annual report
- Provide accurate GPS locations for all drill cuttings deposited on shore during the On-Ice Drill Program
- Provide all before and after sampling results collected during the On-Ice drilling program in the 2011 Annual report.
- Licensee is to monitor wastes and develop a program to ensure hazardous wastes do not end up in the incinerator
- Open burning is not allowed.
- Install a liner within the Garage/ shop work area.

| Inspector's Name | Inspector's Signature |
|------------------|-----------------------|
| A.Keim | Sent by E-mail |
| | |

Cc

Bernie MacIsaac- A/Manager Field Operations Phyllis Beaulieu – Manager Licensing- Nunavut Water Board

Contact Information:

Andrew Keim
Water Resources Officer
Aboriginal Affairs and Northern Development Canada
Building 918 – Box 100
Iqaluit, Nunavut XOA OHO
867-975-4289 Ph
867-979-6445 Fx
Andrew.Keim@ainc-inac.gc.ca