



To: Karen Kharatyan
Technical Advisor
cc. Phyllis Beaulieu
Licensing Administrator
Nunavut Water Board

12 December, 2012

Dear Karen,

MMG takes the issue of compliance seriously and we are working towards addressing the various observations made by Eva Paul during her inspection of July 2012. She has provided us with an excellent follow up report to her inspection, and we have already started the process of working towards ensuring full compliance with the conditions specified. I have sent a copy of our response to the report to both Eva Paul at AANDC and Phyllis Beaulieu of the Nunavut Water Board. Subsequently Eva provided us with some clarification on several points. Her original report addressed observations made under both the Water License and the Land Use Permit.

To summarize, here are the non-compliance issues and the steps we have taken or are taking in order to address them:

- **Outstanding annual activity reports**

Missing reports from the 2008 and 2009 work seasons (2009 and 2010 submittals) have now been provided.

- **Water usage volumes, measurement, reporting and license renewal**

We continue to investigate the errors in measurement of water usage at drills. Our records show that on various occasions volumes not only exceeded the total permitted amount, but also were measured at more than triple the maximum possible pump capacity.

In conjunction with our primary drilling contractor, we are developing a new system that will ensure that only the water needed will enter the circulation system at each operating drill.

Water meters will be tested and properly calibrated prior to the commencement of drilling in 2013.

Water sources for all activities will be identified with GPS coordinates and included in the annual reporting.

Due to the reduced level of drilling activity anticipated for next season, we have chosen to not modify the total volume amount permitted in the license renewal application, but intend to ensure that this amount is at no time exceeded. I know that there is concern that for future years we may once again increase drilling, but we are basically nearing completion of

exploration activities on the Izok project. Future water requirements will be licensed by the Development Team as production permitting for the project moves forward.

- **Waste management practices, documentation and reporting**

We have amended our waste management plan and created documentation for the reporting of waste separation, incineration and transport that will be implemented in the coming field season. All open burning is prohibited. A copy of the maintenance manual for the incinerator will be provided in annual reporting. Final disposal documentation has been requested from KBL environmental and will be included with annual reports.

- **Secondary containment and fuel storage inspection practices**

The portable spill pallets that served as containment at the fuel transfer area have been replaced with a buried impermeable liner, as requested by AANDC. A second impermeable liner was buried under the shop floor. (see attached report with photos).

A proper fuelling station was constructed at the historic Hood site for helicopter refuelling, complete with spill tray, spill kits, extinguishers and signage. It will be erected again in the coming season.

Inspection of fuel storage will be conducted daily.

I have been in communication with Environment Canada in regards to the requirements for secondary containment under the double walled portable tanks that make up the bulk fuel storage that is in use at Izok, as well as the historic Inmet fuel farm at the site. As requested by AANDC, I intend to provide a timeline for addressing this situation by January 31st, 2013.

- **Reclamation and reporting of same**

Ongoing site reclamation, including the clean-up at drill pad locations will be documented with before and after photographs provided in annual reports.

Drill collar locations where drill casing has remained for instrument installation or for the purpose of possibly re-entering the hole will be provided.

- **Recording and reporting of permafrost depth**

This is something that we do not have the capacity to measure unless specialized equipment is utilized that is not normally involved in the exploration for minerals. It requires that the drill casing remain in the drill hole and that the data from an instrument called a thermistor lowered to depth within the hole is periodically downloaded, which would basically impede and delay the closure and reclamation process.

We have never provided this information and thought that it was understood by the Nunavut Water Board that it was not in our capacity to do so. We would like to have this removed from the License Conditions if possible.

I hope that this addresses all of the concerns of the Nunavut Water Board, if you have any further questions or would like clarification on any of the above items, please do not hesitate to contact me.

Regards,

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