



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

Your file - Votre référence
2BE-KLG1116

November 21, 2016

Our file - Notre référence
CIDM#1111934

Ida Porter
Licensing Administrator
Nunavut Water Board
Gjoa Haven, NU X0B 1J0

Re: 2BE-KLG1116 – Kiyuk Lake Gold Project – Northern Empire Resources Corp. – Water Licence Renewal Application

Dear Ms. Porter,

Thank-you for the email notice received on October 21, 2016 regarding the above mentioned renewal application.

Indigenous and Northern Affairs Canada's Water Resources Division reviewed the application and the results of our review are provided in the enclosed memorandum for the Board's consideration. Comments have been provided pursuant to the Department's mandated responsibilities under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Indian Affairs and Northern Development Act*.

Please do not hesitate to contact me at 867-975-3876 or sarah.forte@aandc-aadnc.gc.ca for any additional information.

Regards,

Sarah Forté
Water Management Coordinator

Technical Review Memorandum

To: Ida Porter, Licensing Administrator, NWB

From: Sarah Forté, Water Management Coordinator, AANDC

Date: November 21, 2016

Re: Water Licence Renewal Application, #2BE-KLG1116

Licensee: Prosperity Goldfields Corp./Northern Empire Resources Corp.
Project: Kiyuk Lake Gold Project
Region: Kivalliq

A. BACKGROUND

On October 21, 2016 the Nunavut Water Board provided notification to interested parties that Northern Empire Resources Corp. (the applicant) had submitted an application to renew the type 'B' water licence #2BE-KLG1116, issued to Prosperity Goldfields Corp. for mining exploration at the Kiyuk Lake Gold Project in the Kivalliq region of Nunavut. With the application they have included a certificate of amendment of registration of an extra-territorial corporation for a name change from Prosperity Goldfields Corp. to Northern Empire Resources Corp. dated January 22, 2015.

Prosperity Goldfields Corp.'s type 'B' water licence expired on June 10, 2016 and allowed for the use of 160 m³/day of water; up to 10 m³/ day from Kiyuk Lake for domestic use and up to 150 m³/day from lakes identified proximal to drilling targets. The licence allowed for the deposit of waste from drilling operations in properly constructed sumps.

Information available on the SEDAR website state there is definitive agreement as of July 7, 2016 related to the sale of the Kiyuk Lake Property to Montego Resources Inc. that is subject to receipt of all necessary regulatory approvals.

B. RESULTS OF REVIEW

On behalf of Indigenous and Northern Affairs Canada (INAC), the following comments and recommendations are provided:

1. Water use

Reference:

- Application for water licence renewal, box 13
- Kiyuk Lake Executive Summary Amendment, April 22, 2016

Comment:

In the water licence renewal form, the applicant states that no water extraction is planned at this time because they do not have plans for field work at this time. However they have checked the box stating the quantity of water to be used from each source is the same as in the existing licence. The Department interprets this as a request for the use of 160 m³/ day of water, 10 m³/ day for camp purposes and 150 m³/ day for drilling purposes.

In the executive summary, the applicant clarifies that they want to keep the licence “in good standing so that further exploration is possible should market conditions improve.”

Recommendation:

The applicant should be required to notify the Nunavut Water Board (NWB) before they resume activities, specifying if the work intended remains that described in the 2012 amendment application.

2. Plans produced by Montego Resources

Reference:

- Kiyuk Demobilization Plan
- Spill Prevention and Response Plan

Comment:

Both the Demobilization Plan and the Spill Prevention and Response Plan (SPRP) provided were produced by Montego Resources Inc. Though we understand there is a sale planned, the Department is commenting on the application submitted, in which no reference to Montego Resources was found.

Recommendation:

As Northern Empire is the applicant, plans submitted need to be in their name and citing their own environmental policy rather than that of a third party.

3. Spill Prevention and Response Plan

Reference:

- Spill Prevention and Response Plan

Comment:

Section 3.1 of the SPRP states “A fuel transfer truck will be brought to site in 2011 once the two double walled enviro-tanks are on site and established.” From table 2, it would appear there are 14 double walled 4500 L tanks on site.

Appendices I through V were not provided with the SPRP.

Recommendation:

Appendices need to be included in the SPRP as they form an integral part, and the presence of a fuel truck on section 3.1 should be clarified as it could potentially be a useful resource in event of spill response from a leaking tank.

4. Demobilization Plan

Reference:

- Kiyuk Demobilization Plan
- Environmental Restoration Costs – Complete Removal of Kiyuk Camp, dated September 27, 2012, submitted April 19, 2016
- Environmental Restoration Costs – Complete Removal of Kiyuk Camp, submitted by Northern Empire Resources on October 12, 2016

Comment:

The Demobilization Plan describes the dismantling and camp clean up and appears to have been used to prepare the restoration cost estimates provided. Certain elements are missing from the plan, specifically:

- how fuel and hazardous materials will be removed from site; and
- how contaminated soils from spills 15-379 and 15-382, reported in 2015 and not yet remediated, will be handled.

The plan includes a discussion of equipment salvage value, which cannot be considered when making a reclamation cost estimate according to the *Mine Site Reclamation Policy for Nunavut*. Though salvage value was included in the restoration cost estimate submitted on April 19, 2016, this error was corrected in the revised estimate submitted on October 12, 2016.

The revised restoration cost estimate is missing certain costs, specifically:

- cat train, both labour and equipment; and
- remediation of soils contaminated from known spills.

Recommendation:

The Demobilization Plan should be updated to include the missing elements described above and remove the discussion on salvage value.

The revised restoration cost estimate should be updated to include the missing costs listed above.

5. Licence term

Reference:

- Application for water licence renewal, box 25

Comment:

The applicant has requested a 10 year term for the renewed licence.

Recommendation:

Given that no work is planned on the property, it has been in care and maintenance for the past three years, and not all spills have been cleaned up, a five year term would be more appropriate in order to re-evaluate the relevance of continuing the water use permit.

C. CONCLUSION

INAC recommends that corrections to the Spill Prevention and Response Plan, the Demobilization Plan and the Restoration Cost Estimate be required for a renewal of Northern Empire Resources' water licence #2BE-KLG1116. Though we recommend a 5 year licence term, INAC expects the fuel spills to be remediated in a timely manner.