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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BE-KLG1116/Amendment No. 2

April 10, 2013

Bruce Duncan
Prosperity Goldfields Corp.
Suite 605 – 1166 Alberni Street
Vancouver, BC V6E3Z3

c/o Saz Yaqzan, Project Consultant
Geotarget Consulting Ltd.
P.O. Box 425
Coronation, AB T0C 1C0

Email: rbduncan@sympatico.ca

GeotargetConsulting@gmail.com

RE: LICENCE NO. 2BE-KLG1116 Type ‘B’ – Amendment No. 2

Dear Mr. Duncan and Ms. Yaqzan:

Please find attached, Amendment No. 2 to Licence No. 2BE-KLG1116 Type “B”, issued to Prosperity Goldfields Corp. by the Nunavut Water Board (NWB) (**Motion 2013-B1-03**) pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The terms and conditions of the original Licence related to water use and waste disposal remain an integral part of this approval.

The NWB notes that, among others, there is Nunavut Planning Commission’s (NPC) Conformity determination¹ stating that the proposed activities conform to the Keewatin Regional Land Use Plan (KRLUP). The Nunavut Impact Review Board’s (NIRB) Decision, File No. 11EN019² states that this application is exempt from the requirement for screening pursuant to Section 12.4.3 of the NLCA and the activities therein remain subject to the terms and conditions recommended in the original May 31, 2011 Screening Decision Report.

¹ NPC Conformity determination dated December 3, 2012.

² NIRB Screening decision dated March 25, 2013.

The NWB recommends that the Licensee consult the comments received from interested persons³. This information is attached for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'T. Kabloona', with a stylized flourish at the end.

Thomas Kabloona

Nunavut Water Board

Chair

TK/kk/pb

Enclosure: Licence No. **2BE-KLG1116 - Amendment No. 2**

Comments – AANDC, DFO, EC

Cc: Distribution – Kivalliq

³ Aboriginal Affairs and Northern Development Canada (AANDC), dated November 22, 2012; Department of Fisheries and Oceans (DFO), dated October 25, 2012; and Environment Canada (EC), dated November 22, 2012.

LICENCE AMENDMENT No. 2

Licensee:	PROSPERITY GOLDFIELDS CORP.
Licence No:	2BE-KLG1116 Type "B"
Licence Issued:	June 10, 2011
Amendment No. 1 issued	January 27, 2012
Effective Date	April 9, 2013
Licence Expiry:	June 10, 2016

Pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and the Nunavut Surface Rights Tribunal Act*, with respect to the application for amendment dated September 26, 2012, made by Prosperity Goldfields Corp., the Nunavut Water Board hereby grants the following Licence amendment.

The Licence issued June 10, 2011 with an expiry date of June 10, 2016 shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during camp operations and activities related to exploration that include prospecting, geological mapping, geophysical survey, diamond and reverse circulation drilling, to allow Prosperity Goldfields Corp. to increase the quantity of water used to support expanded exploration activities; construction and operation of an airstrip; development and operation of rock quarries to supply aggregate for the airstrip construction activities at the Kiyuk Lake Gold Project. The Project is located within the Kivalliq Region, Nunavut, with general geographical coordinates as follows:

Project Extents

Latitude: 60° 23' 15" N	to	60° 28' 42" N
Longitude 100° 16' 51" W	to	100° 30' 58" W

Camp Location

Latitude: 60° 27' 49" N	Longitude: 101 ° 23' 05" W
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The Amendment application included the following documents as supplementary information, prepared in March, 2012:

- *Cover letter with Project Location Map;*
- *Executive Summary (English and Inuktitut);*

- *Exploration/Remote Camp Supplementary Questionnaire;*
- *Amended Fuel Storage and Waste Disposal Details;*
- *Amended Project Description and Figures;*
- *Current Financial Statement; and*
- *Restoration Costs Statement.*

Water use

The total volume of water authorized under the current Licence is 100m³/day for both camp operations and drilling requirements. The Licensee has requested that the volume of water be increased to 160m³/day to support the temporary camp expansion and the operation of an additional drill.

Based on the submissions received from intervening parties, no objections were expressed with respect to the amount of water use being requested and/or the manner in which it would be used.

Spill Contingency Plan

The Licensee is required to update the Plan approved under Part H, Item 1 of the Licence and submit to the Board in the form of an Addendum within the 2013 Annual Report as required by Part B, Item 7. The Addendum shall include the proposed changes to on-site facilities.

Abandonment and Restoration Plan

The Licensee is required to update the Plan approved under Part I, Item 1 of the Licence and submit to the Board in the form of an Addendum as required by Part B, Item 7. The Addendum shall include the proposed changes to on-site facilities.

Comments Received

The NWB received comments on the amendment application from the Aboriginal Affairs and Northern Development Canada (AANDC), Department of Fisheries and Oceans (DFO) and the Environment Canada (EC). No significant issues were identified.

In its submission, AANDC stated that Prosperity Goldfields Corp. shall update the Spill Contingency Plan to address the revised Kiyuk Lake Project description. Secondary containment of fuel is highly recommended for ice-based drilling.

DFO expressed no concerns with respect to the proposed activity.

EC stated that comments submitted to the NWB regarding water license application and previous amendment are valid for the proposed activity.

AMENDMENT No. 2

The Licence (Pages 1 and 2) shall be amended to indicate the following:

This is the decision of the Nunavut Water Board (NWB) with respect to an application dated February 25, 2011 for a new Water Licence made by:

PROSPERITY GOLDFIELDS CORP.

to allow for the use of water and disposal of waste during exploration activities including prospecting, geological mapping, geophysical survey, diamond and reverse circulation drilling, construction and operation of an airstrip; development and operation of rock quarries to supply aggregate for the airstrip construction activities at the Kiyuk Lake Gold Project located within the Kivalliq Region, Nunavut, generally located at the geographical coordinates as follows:

Project Extents

NW:	Latitude: 60° 28' 42" N	Longitude: 100° 30' 58" W
NE:	Latitude: 60° 28' 42" N	Longitude: 100° 30' 58" W
SE:	Latitude: 60° 23' 15" N	Longitude: 100° 16' 51" W
SW:	Latitude: 60° 23' 15" N	Longitude: 100° 16' 51" W

Camp location

Latitude: 60° 27' 49" N Longitude: 100° 23' 05" W

Quantity of Water use not to Exceed: **ONE HUNDRED AND SIXTY (160) CUBIC METRES PER DAY**

PART A: SCOPE, DEFINITIONS AND ENFORCEMENT

2. **Definitions**

Insert

“ICP Scan” means the laboratory method for determining trace metals in water through Emission Spectroscopy using inductively coupled plasma (including from approximately 22 to 32 elements, depending on the laboratory performing the analysis).

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1

The Licensee shall obtain all water for domestic camp use from Kiyuk Lake. Total domestic water use shall not exceed eight (10) cubic meters per day. Drill water shall be obtained from the lakes near the drill targets as outlined in the

application and shall not exceed one hundred and fifty (150) cubic meters per day. The volume of water for the purposes of this Licence shall not exceed one hundred and sixty (160) cubic meters per day.

Insert Item 7

The Licensee shall provide a notice to an Inspector and the Board that includes the coordinates of each potential water source to be used for the purposes outlined in Part C, Item 1 at least ten (10) days prior to starting the exploration program.

PART E: CONDITIONS FOR CAMPS, ACCESS INFRASTRUCTURES AND OPERATIONS

Insert Item 7

The Licensee shall submit to the Board for review at least sixty (30) days prior to commencing quarrying, a Quarry Development Plan. The Plan should address, at a minimum, the number, locations, geochemical and physical characterization of the proposed aggregate material sources, erosion control measures, surface drainage and water management procedures, monitoring activities, and closure and reclamation methods. The Licensee is advised that quarrying shall be carried out in accordance with all applicable legislation and industry standards including the *Northern Land Use Guidelines, Pits and Quarries* (INAC, 2010).

Insert Item 8

The Licensee shall provide to the Board for review for-construction plans and drawings of the Airstrip and Access Road at least thirty (30) days prior to commencing construction. These plans and drawings shall be stamped by an Engineer.

Insert Item 9

The Licensee shall, within ninety (90) days of completion of construction of facilities and/or infrastructure associated with the project, submit to the Board a Construction Summary Report along with as-built plans and drawings, stamped by Engineer. An explanation should be provided to reflect any deviations from construction drawings taking into account construction and field decisions and how they may affect the performance of engineered facilities.

Insert Item 10

The Licensee shall maintain a minimum of thirty-one (31) metres buffer zone between the periphery of quarry sites and the high water mark of any water body. The Licensee shall not excavate and/or remove material from the quarry beyond a

depth of one (1) metre above the high water mark or above the groundwater table so as to prevent the contamination of groundwater sources.

Insert Item 11

Sediment and erosion control measures shall be implemented prior to and maintained during the construction and operation where necessary to prevent entry of sediment into water.

Insert Item 12

The Licensee shall ensure that all containment and runoff control structures are constructed and maintained to prevent escape of wastes to the surface or groundwater systems.

Insert Item 13

The Licensee shall ensure that all fill material used during the construction is from potentially non-acid generating and non-metal leaching sources and is free of contaminants.

Insert Item 14

With respect to construction or other earthworks where direct or indirect flow into a water body is possible, the deposition of debris or sediment into or onto any water body is prohibited. These materials shall be disposed at a distance of at least thirty-one (31) metres from the ordinary high water mark in such a fashion that they do not enter the water.

Insert Item 15

All surface runoff during the construction of any facilities, where flow may directly or indirectly enter a water body, shall meet the following Effluent quality limits:

Parameter	Maximum Average Concentration (mg/L)	Maximum Concentration of Any Grab Sample (mg/L)
Total Suspended Solids	50.0	100.0

Insert Item 16

The Licensee shall ensure that all construction of engineered structures is supervised and field checked by an appropriately qualified and experienced Engineer in such a manner that the project specification can be enforced and, where required, the quality control measures can be followed. The Licensee shall

maintain and make available at the request of the Board and/or an Inspector, all construction records of all engineered structures.

PART F: CONDITIONS APPLYING TO DRILLING OPERATIONS

Amend Item 3

The Licensee shall dispose of all drill waste, including water, chips, muds and salts (CaCl_2) in any quantity or concentration, from land-based and on-ice drilling, in a properly constructed sump or an appropriate natural depression located at a distance of at least thirty one (31) metres from the ordinary high water mark of any adjacent water body, where direct flow into a water body is not possible and no additional impacts are created.

Amend Item 6

Drilling additives or mud shall not be used in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.

Insert Item 7

For “on-ice” drilling where drill additives are not being used, return water released must be nontoxic, and not result in an increase in total suspended solids in the immediate receiving waters, above the Canadian Council of Ministers for the Environment, Guidelines for the Protection of Freshwater Aquatic Life (i.e. 10 mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100 mg/L).

Insert Item 8

The Licensee shall establish water quality conditions prior to and upon completion of any drilling program through lake ice.

PART J: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Insert Item 8

The Licensee shall obtain representative samples of the water column below any ice where required under Part F, Items 7 and 8. Monitoring shall include but not be limited to the following:

Total Suspended Solids

pH

Electrical Conductivity

Total Trace Metals as determined by a standard ICP Scan (to include at a minimum, the following elements: Al, Sb, Ba, Be, Cd, Cr, Co, Cu, Fe, Pb, Li, Mn, Mo, Ni, Se, Sn, Sr, Tl, Ti, U, V, Zn), and

Trace Arsenic and Mercury.

Insert Item 9

The Licensee shall, during periods of flow and just after a major rainfall event, conduct water quality testing immediately upstream and downstream of the water crossings, any significant water seeps in contact with the road and any flows originating from borrow pits or rock quarries on a monthly basis prior to construction, during the construction and upon completion while testing for criteria listed under Part J, Item 8.

Insert Item 10

The Licensee shall implement a water crossings visual inspection and maintenance program prior to, during spring freshet and after heavy rainfall events to identify issues related to watercourse crossings structural integrity and hydraulic function.

Insert Item 11

Additional monitoring requirements may be requested by the Inspector.

Insert Item 12

The Licensee shall obtain a digital photographic record of all water crossings before, during and after construction has been completed.

All remaining terms and conditions of the Licence 2BE-KLG1116 Type “B” and Amendment 1 dated June 10, 2011 and January 27, 2012, respectively, still apply.

This Licence Amendment No. 2 issued and recorded at Gjoa Haven, NU April 9, 2013.

Approved by,



Thomas Kabloona
Nunavut Water Board
Chair