

INDUSTRIAL WATER USE INSPECTION REPORT

DATE: July 5+6, 2012

COMPANY REP.: Dave Vokoy

LICENSEE: Elgin

LICENCE #: 2AM-1UP0914

235-LEP1217

WATER SUPPLY

Source: Contwayto Lake Quantity Used: _____ Meter Rdg.: NA

Indicate:	A - Acceptable	U - Unacceptable	N/A - Not Applicable	N/I = Not Inspected
Intake Facilities	<u>A</u>			
Flow Meas. Device	<u>A</u>			
Storage Structures		<u>A</u>		
Conveyance Lines		<u>A</u>		
Treatment Systems			<u>A</u>	
Pumping Stations			<u>N/I</u>	
Recycling Modifications				<u>N/I</u>

Comments: Water currently trucked and treated. Facility acceptable. Check order of treatment: UV before Chlorine. Truck loads recorded and logged.

WASTE DISPOSAL

Tailings:	Tailings Pond <input checked="" type="checkbox"/> (U)	Natural Lake <input type="checkbox"/>	Underground <input type="checkbox"/>
Sewage: NA	Sewage Treat. System <input type="checkbox"/>	Tailings Pond <input type="checkbox"/>	Natural Water Body <input type="checkbox"/>
	Continuous Discharge <input type="checkbox"/>	Inter. Dischg. <input checked="" type="checkbox"/>	<u>2 pond system. (A)</u>
Solid Waste:	Open Dump <input type="checkbox"/>	Landfill <input type="checkbox"/>	Burn & Bury <input checked="" type="checkbox"/> (A) <u>incinerate</u>
			Underground <input type="checkbox"/>

Indicate:	A - Acceptable	U - Unacceptable	N/A - Not Applicable
Discharge Quality	<u>sampled</u>		
Decant Structures	<u>A</u>		
Dyke Inspections	<u>N/I</u>		
Conveyance Lines		<u>N/I</u>	
Pond Treatment		<u>A</u>	
Runoff Diversion		<u>N/I</u>	
Disch. Meas. Dev.			<u>N/I</u>
Dams, Dykes			<u>N/I</u>
Erosion			<u>some</u>
Freeboard			<u>A</u>
Seepages			<u>N/I</u>
Spills			<u>U</u>

Effluent Discharge Rate: N/I Samples Collected: disch. from sewage lagoon, Boomerang Lake

Comments: Old burn pit being used as sorting area. Salt spill to be cleaned up immediately. Much legacy waste; barrels buried in berm walls. Old landfill is exposed - metal waste apparent off sides. Water ponding ->

see p 2

GENERAL CONDITIONS

Indicate:	A - Acceptable	U - Unacceptable	N/A - Not Applicable
Ore & Waste Rock Stockpiles	<u>U</u>		
Geotechnical Inspection	<u>A</u>		
Restoration Activities	<u>U</u>		
Mine Water Discharge	<u>N/I</u>		
Records & Reporting		<u>A</u>	
Posting, Signage		<u>A</u>	
New Construction		<u>N/A</u>	
Chemical Storage		<u>A</u>	
Surv. Net. Prog.			<u>A</u>
Contingency Plan			<u>N/I</u>
Fuel Storage			<u>U</u>
Annual Report			<u>A</u>

Comments: See attached sheets
Please submit geotechnical inspection report to inspector upon receipt.

Violations of Act or Licence: See attached sheets.

General Comments: Elgin has a lot of legacy hazards and contamination to be addressed to bring this site into compliance. A compliance plan will be necessary to identify risks and prioritize for action. Good Luck!



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Date: July 5 + 6, 2012

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(Waste)

below; sampling for leachate required and delineation of contamination.

Tailings Mgmt: Windblown material is creeping outside perimeter. Sampled soil off Dam b. Erosion of road also noted at Dam b. Cover material on tailings is thin in places or entirely absent. This is unacceptable and is to be addressed through upcoming geotech assessment. Wildlife use of the tailings area presents a risk to animal health.

Drill Mgmt: Good use of sling basket for drill salts + hazardous materials. Secondary containment of fuel tanks is to be considered mandatory, and use of drip trays for all fuel transfer activities. Drill cuttings shall be deposited in a properly constructed sump or natural depression as per Part F item 2 of 2BE-LEP1217. Drill 2SA9 was releasing cuttings in uncontrolled/undirected manner which resulted in cuttings flowing 50 m+ in direction of a water body. Fuel tank was tilted and signs of overfilling present.

Hydrocarbon contamination is a significant issue throughout the site. Where liners are present they are exposed, punctured, and generally suspect. Heavy contamination is noted in most berms and the Satellite Tank Farm obviously overtopped and released contamination to the outside environment. The haz- →

see p.3.

Representative's Signature

Inspector's Signature

RMO Initials

Acting Environmental Coordinator

Representative's Title

District Mgr. Initials

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waste ~~from~~ storage area has open/exposed barrels and heavy contamination. Sampling in pond beneath this area is required.

→ For immediate action:- drill management practices to be adjusted as described

- salt spill in burn pit to be cleaned up

- fuel transfer to occur over containment throughout site.

→ Before the end of this field season:- September 15th, 2012

- A risk assessment is to be conducted to identify highest risks to the outside receiving environment. Delineation of contamination through sampling is to be included, not limited to those suggested here.

→ By October 31: A draft compliance plan that outlines every article in the licences in non-compliance and suggests actions and timelines. Priority is to be placed on preventing further contamination and containing contamination within the site. This plan will be ~~approved~~ submitted to the inspector and final plan to be approved by Dec 31, 2012

A follow up report will be submitted to Edgim following review of of photographs and pertinent documents by the inspector.

[Signature]

Representative's Signature

[Signature]

Inspector's Signature

RMO Initials

[Signature]

Representative's Title

District Mgr. Initials

PLAN FOR COMPLIANCE
2BE-LEP1217

Licence Condition		Status of Compliance	Short Term Plan for Compliance	Schedule for Implementation of Short Term Plan for Compliance	Long Term Plan for Compliance	Schedule for Implementation of Long Term Plan for Compliance
PART A; SCOPE, DEFINITIONS AND ENFORCEMENT						
1	This Licence allows for the use of water and the disposal of waste for a Mining and Milling undertaking classified as per Schedule II of the Regulations at the Lupin Exploration Project, located approximately 285 kilometres southeast of Kugluktuk within the Kitikmeot Region, Nunavut.	Compliant				
a	This Licence is issued subject to the conditions contained herein with respect to the taking of water and the depositing of waste of any type in any waters or in any place under any conditions where such waste or any other waste that results from the deposits of such waste may enter any waters. Whenever new Regulations are made or existing Regulations are amended by the Governor in Council under the Nunavut Waters and Nunavut Surface Rights Tribunal Act, or other statutes imposing more stringent conditions relating to the quantity or type of waste that may be so deposited or under which any such waste may be so deposited, this Licence shall be deemed, upon promulgation of such Regulations, to be subject to such requirements; and					
b	Compliance with the terms and conditions of this Licence does not absolve the Licensee from responsibility for compliance with the requirements of all applicable Federal, Territorial and Municipal legislation.					
2	Definitions (see Licence)	Compliant				
3	Enforcement	See Water Use Inspection Forms dated July 5&6, 2012 by Eva Paul (field form received, formal report not yet received). Since issuance of the Licence renewal, no enforcement measures or penalties have been incurred.				
a	Failure to comply with this Licence will be a violation of the Act, subjecting the Licensee to the enforcement measures and the penalties provided for in the Act;					
b	All inspection and enforcement services regarding this Licence will be provided by Inspectors appointed under the Act; and					
c	For the purpose of enforcing this Licence and with respect to the use of water and deposit or discharge of waste by the Licensee, Inspectors appointed under the Act, hold all powers, privileges and protections that are conferred upon them by the Act or by other applicable law.					

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PART B: GENERAL CONDITIONS						
1	The water use fees, payable to the Receiver General for Canada, shall be sent to the Board annually for the right to the use of water in accordance with Section 9 of the Regulations.	<p>Compliant.</p> <p>Oct 19, 2011 NWB received water use fee deposit of \$30 for new water licence application.</p> <p>Jan 30, 2012 NWB received outstanding water use fee of \$134.25 for 45 m3 of authorized water use per day.</p> <p>April 27, 2012 NWB received water use fee deposit of \$30 for water licence amendment application #1.</p> <p>July 18, 2012 NWB received outstanding water use fee of \$355.15 for 240 m3 of authorized water use per day.</p> <p>The next due date for water use fees is January 25, 2013 for 240 m3/day of authorized water use</p>				
2	The Licensee shall file an Annual Report on the Appurtenant Undertaking with the Board no later than March 31st of the year following the calendar year being reported, containing the following information:	<p>Compliant.</p> <p>2012 Annual Report shall be submitted to the Board by March 31, 2013.</p>				
a	A summary report of water use and waste disposal activities;					
b	A list of unauthorized discharges and a summary of follow-up actions taken;					
c	Any revisions to the Spill Contingency Plan and Abandonment and Restoration Plan, as required by Part B, Item 7, submitted in the form of an Addendum;					
d	A description of all progressive and or final reclamation work undertaken, including photographic records of site conditions before, during and after completion of operations;					
e	Report all artesian flow occurrences as required under Part F, Item 4;					
f	All geochemical sampling results including acid rock drainage and metal leaching results, as required by Part E, Item 7;					

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g	A summary of all information requested and results of the Monitoring Program; and					
h	Any other details on water use or waste disposal requested by the Board by November 1 of the year being reported.					
3	The Licensee shall notify the NWB of any changes in operating plans or conditions associated with this project at least thirty (30) days prior to any such change.	Compliant.				
4	The Licensee shall install flow meters or other such devices, or implement suitable methods required for the measuring of water volumes as required under Part J, Item 1.	Compliant				
5	The Licensee shall, for all Plans submitted under this Licence, include a proposed timetable for implementation. Plans submitted, cannot be undertaken without subsequent written Board approval and direction. The Board may alter or modify a Plan if necessary to achieve the legislative objectives and will notify the Licensee in writing of acceptance, rejection or alteration of the Plan.	Compliant. The following Plans have been approved by the Board: Spill Contingency Plan; Abandonment & Restoration Plan;				
6	The Licensee shall, for all Plans submitted under this Licence, implement the Plan as approved by the Board in writing.					
7	The Licensee shall review the Plans referred to in this Licence, as required by changes in operation and/or technology, and modify the Plan accordingly. Revisions to the Plans are to be submitted in the form of an Addendum to be included with the Annual Report.					
8	Every Plan to be carried out pursuant to the terms and conditions of this Licence shall become a part of this Licence, and any additional terms and conditions imposed upon approval of a Plan by the Board become part of this Licence. All terms and conditions of the Licence should be contemplated in the development of a Plan where appropriate.					
9	The Licensee shall ensure a copy of this Licence is maintained at the site of operations at all times. Any communication with respect to this Licence shall be made in writing to the attention of:					

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a	Manager of Licensing: Nunavut Water Board P.O. Box 119 Gjoa Haven, NU X0B 1J0 Telephone: (867) 360-6338 Fax: (867) 360-6369 Email: licensing@nunavutwaterboard.org	Compliant				
	Inspector Contact: Manager of Field Operations, INAC Nunavut District, Nunavut Region P.O. Box 100 Iqaluit, NU X0A 0H0 Telephone: (867) 975-4295 Fax: (867) 979-6445					
10	The Licensee shall submit one paper copy and one electronic copy of all reports, studies, and plans to the Board. Reports or studies submitted to the Board by the Licensee shall include a detailed executive summary in Inuktitut and Inuinnaqtun.	Spill Contingency Plan and Abandonment and Restoration Plan require executive summaries and translations	Provide missing executive summaries and translations	2012 Annual Report		
11	The Licensee shall ensure that any document(s) or correspondence submitted by the Licensee to the NWB is received and acknowledged by the Manager of Licensing.	Compliant				
12	This Licence is assignable as provided for in Section 44 of the Act.	Compliant				
PART C: CONDITIONS APPLYING TO WATER USE						
1 (Amended)	Drill water shall be obtained from Contwoyto Lake and water source(s) proximal to the drill targets as outlined in the amendment application dated April 27, 2012 and shall not exceed two hundred and forty (240) cubic metres per day. The total volume of water for the purposes of this Licence shall not exceed two hundred and forty (240) cubic metres per day.	Compliant				
2	Streams cannot be used as a water source unless authorized and approved by the Board in writing.	Compliant				
3	If the Licensee requires water in sufficient volume that the source water body may be drawn down the Licensee shall, at least thirty (30) days prior to commencement of use of water, submit to the Board for approval in writing, the following: volume required, hydrological overview of the water body, details of impacts, and proposed mitigation measures.	NA Drawdown not anticipated				

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4	The Licensee shall equip all water intake hoses with a screen of an appropriate mesh size to ensure that fish are not entrained and shall withdraw water at a rate such that fish do not become impinged on the screen.	Compliant				
5	The Licensee shall not remove any material from below the ordinary high water mark of any water body unless authorized.	Compliant				
6	The Licensee shall not cause erosion to the banks of any body of water and shall provide necessary controls to prevent such erosion.	Compliant				
7	Sediment and erosion control measures shall be implemented prior to and maintained during the undertaking to prevent entry of sediment into water.	Compliant				
PART D: CONDITIONS APPLYING TO WASTE DISPOSAL						
1	The Licensee shall locate areas designated for waste disposal at a minimum distance of thirty one (31) metres from the ordinary high water mark of any water body such that the quality, quantity or flow of water is not impaired, unless otherwise approved by the Board in writing.	Compliant				
2	The Licensee shall not practice on-site land filling of domestic waste, unless otherwise approved by the Board in writing.	Compliant				
3	The Licensee is authorized to dispose of all acceptable food waste, paper waste and untreated wood products in an incinerator.	Compliant				
4	The Licensee shall not open burn plastics, wood treated with preservatives, electric wire, Styrofoam, asbestos or painted wood to prevent the deposition of waste materials of incomplete combustion and/or leachate from contaminated ash residual, from impacting any surrounding waters, unless otherwise approved by the Board in writing.	Compliant				
5	The Licensee shall provide to the Board, written authorization from the Licensee of 2AM-LUP0914 for the disposal of any wastes from the Lupin Exploration Project, with respect to sewage, solid waste and drill cuttings, prior to the disposal of wastes under that authorization.	Compliant. Written authorization provided to the Board on March 2, 2012				
6	The Licensee shall provide to the Board, documented authorization from all communities in Nunavut receiving wastes from the Lupin Exploration Project prior to any backhauling and disposal of wastes to those communities.	NA. No Nunavut communities have received waste from the Lupin Exploration Project				

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7	The Licensee shall backhaul and dispose of all hazardous wastes, waste oil and non-combustible waste generated through the course of the operation at a licensed waste disposal site.	Compliant				
8	The Licensee shall maintain records of all waste backhauled and records of confirmation of proper disposal of backhauled waste. These records shall be made available to an Inspector upon request.	Compliant				
PART E: CONDITIONS FOR CAMPS, ACCESS INFRASTRUCTURES AND OPERATIONS						
1	No camp activities are authorized under the provisions of this Licence.	Compliant				
2	Licensee shall provide to the Board, written authorization from the Licensee of 2AM-LUP0914 for use of the existing camp facilities established under that Licence as requested in the application dated October 7, 2011, prior to the use of those facilities, or as otherwise approved by the Board in writing.	Compliant. Written authorization provided to the Board on March 2, 2012				
3	The Licensee shall not erect camps or store material on the surface of frozen streams or lakes including the immediate banks except what is for immediate use. Camps shall be located such as to minimize impacts on surface drainage.	Compliant				
4	All activities shall be conducted in such a way as to minimize impacts on surface drainage and the Licensee shall immediately undertake any corrective measures in the event of any impacts on surface drainage.	Compliant				
5	Winter lake and stream crossings, including ice bridges, shall be constructed entirely of water, ice or snow. The Licensee should minimize disturbance by locating ice bridges in an area that requires the minimum approach grading and the shortest crossing route. Stream crossings shall be removed or the ice notched prior to spring break-up.	NA				
6	With respect to access road, pad construction or other earthworks, the deposition of debris or sediment into or onto any water body is prohibited. These materials shall be disposed a distance of at least thirty one (31) metres from the ordinary high water mark in such a fashion as they do not enter water.	NA				
PART F: CONDITIONS APPLYING TO DRILLING OPERATIONS						

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1	The Licensee shall not conduct any land based drilling within thirty one (31) metres of the ordinary high water mark of any water body, unless otherwise approved by the Board in writing.	Compliant				
2	The Licensee shall dispose of all drill waste, including water, chips, muds and salts (CaCl ₂) in any quantity or concentration, from land-based 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.	2012 AANDC inspection report notes that Drill 25A9 was releasing cuttings in an uncontrolled manner.	Following the inspection, LMI established a cuttings management program whereby cuttings were disposed in natural depressions in close proximity to the drills. To mitigate the incident reported by the inspector, LMI pumped the drill cuttings to another location in accordance with the licence condition.	Completed	Continue to follow cuttings management program	Ongoing
3	The Licensee may, upon providing to the Board written authorization from the Licensee of 2AM-LUP0914, use the existing tailings disposal facilities for disposal of waste generated under Part F, Item 2, in a designated area of the active facility. This disposal shall be documented and reported as per Part J, Item 3.	Compliant. Written authorization provided to the Board on March 2, 2012				
4	If artesian flow is encountered, drill holes shall be immediately sealed and permanently capped to prevent induced contamination of groundwater or salinization of surface waters.	NA No artesian flow encountered				
5	The Licensee shall report all artesian flow occurrences within the Annual Report, including the location (GPS coordinates) and dates.					

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PART G: CONDITIONS APPLYING TO MODIFICATIONS						
1	The Licensee may, without written consent from the Board, carry out Modifications to the Water Supply Facilities and Waste Disposal Facilities provided that such Modifications are consistent with the terms of this Licence and the following requirements are met:	NA No modifications have been carried out.				
a	the Licensee has notified the Board in writing of such proposed Modifications at least sixty (60) days prior to beginning the Modifications;					
b	such Modifications do not place the Licensee in contravention of the Licence or the Act;					
c	such Modifications are consistent with the NIRB Screening Decision;					
d	the Board has not, during the sixty (60) days following notification of the proposed Modifications, informed the Licensee that review of the proposal will require more than sixty (60) days; and					
e	the Board has not rejected the proposed Modifications.					
2	Modifications for which all of the conditions referred to in Part G, Item 1 have not been met can be carried out only with written approval from the Board.					
3	The Licensee shall provide as-built plans and drawings of the Modifications referred to in this Licence within ninety (90) days of completion of the Modification. These plans and drawings shall be stamped by an Engineer.					
PART H: CONDITIONS APPLYING TO SPILL CONTINGENCY PLANNING						
1	The Board has approved the Plan entitled Lupin Mines Incorporated, Lupin Project, Nunavut Canada, Spill Contingency Plan, October 2011" received October 13, 2011, submitted as additional information with the Application.	Compliant				
2	The Licensee shall submit to the Board for review, within sixty (60) days of Licence issuance, an Addendum to the Plan referred to in Part H, Item 1, in the format set out by the Consolidation of Spill Contingency Planning and Reporting Regulations R-068-93 addressing the following issues:	Compliant.				
a	Recommendations provided by the NIRB, AANDC and EC;					

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b	Inclusion of a site map in an appropriate scale depicting the project's area, spill kits, camp infrastructure, nearby water bodies and any other relevant information	Addendum submitted March 2012				
c	Inclusion of information pertaining to the quantities of hazardous substances stored on site for the project;					
d	Provision of the 24-hour site contact information; and					
e	Include a copy of the NT-NU Spill Report Form (interactive form and guide);					
3	The Licensee shall prevent any chemicals, petroleum products or wastes associated with the project from entering water. All sumps and fuel caches shall be located at a distance of at least thirty one (31) metres from the ordinary high water mark of any adjacent water body and inspected on a regular basis.	2012 AANDC Inspection Report notes that secondary containment of fuel tanks is to be considered mandatory.	Secondary containment provided as reported in 2AM-LUP July monthly monitoring report.	Completed	Continued use of secondary containment	Ongoing
4	The Licensee shall ensure that any equipment maintenance and servicing be conducted only in designated areas and shall implement special procedures (such as the use of drip pans) to manage motor fluids and other waste and contain potential spills.	2012 AANDC inspection report notes that the use of drip pans for all fuel transfer activities is considered mandatory.	Drip pans provided at fuel transfer stations. See 2AM-LUP July monthly monitoring report.	Completed	Revise Spill Contingency Plan to require use of drip pans for all fuel transfer activities.	Submit revised Plan as part of 2012 annual report
5	If during the term of this Licence, an unauthorized discharge of waste occurs, or if such a discharge is foreseeable, the Licensee shall:	Compliant. There have not been any reportable spills				
a	Employ the approved Spill Contingency Plan;					
b	Report the spill immediately to the 24-Hour Spill Line at (867) 920-8130 and to the Inspector at (867) 975-4295; and					
c	For each spill occurrence, submit to the Inspector, no later than thirty (30) days after initially reporting the event, a detailed report that will include the amount and type of spilled product, the GPS location of the spill, and the measures taken to contain and clean up the spill					

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PART I: CONDITIONS APPLYING TO ABANDONMENT, RESTORATION OR TEMPORARY CLOSING						
1	The Board has approved the Plan entitled "Lupin Project Exploration, Nunavut Canada, Abandonment and Restoration Plan, October 2011", that was submitted as additional information with the Application.	Compliant				
2	The Licensee shall submit the Board for review, within sixty (60) days of issuance of the Licence, an Addendum to the Plan referred to in Part I, Item 1, to address the following:	Compliant. Addendum submitted March 2012				
a	Recommendation by the NIRB, AANDC, EC;					
b	Provision of the 24-hour site contact information;					
c	Inclusion of a site map depicting project's infrastructure; and					
d	Contact information for the relevant regulatory authorities.					
3	The Licensee shall complete all restoration work prior to the expiry of this Licence.	Compliant See Abandonment and Restoration Plan				
4	The Licensee shall carry out progressive reclamation of any components of the project no longer required for the Licensee's operations.	NA to exploration program				
5	The Licensee shall backfill and restore all sums to the pre-existing natural contours of the land.	Compliant See Abandonment and Restoration Plan				
6	The Licensee shall remove from the site, all infrastructure and site materials, including all fuel caches, drums, barrels, buildings and contents, docks, water pumps and lines, material and equipment prior to the expiry of this Licence.					
7	All roads and airstrip, if any, shall be re-graded to match natural contour to reduce erosion.					
8	The Licensee shall remove any culverts and restore the drainage to match the natural channel. Measures shall be implemented to minimize erosion and sedimentation.					
9	In order to promote growth of vegetation and the needed microclimate for seed deposition, all disturbed surfaces shall be prepared by ripping, grading, or scarifying the surface to conform to the natural topography.					

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10	Areas that have been contaminated by hydrocarbons from normal fuel transfer procedures shall be reclaimed to meet objectives as outlined in the Government of Nunavut's Environmental Guideline for Site Remediation, 2010. The use of reclaimed soils for the purpose of back fill or general site grading may be carried out only upon consultation and approval by the Government of Nunavut, Department of Environment and an Inspector.	Compliant See Abandonment and Restoration Plan and Spill Contingency Paln				
11	The Licensee shall restore all drill holes and disturbed areas to natural conditions immediately upon completion of the drilling. The restoration of drill holes must include the removal of any drill casing materials and the capping of holes with a permanent seal.	Compliant See Abandonment and Restoration Plan				
12	The Licensee may store drill cores produced by the appurtenant undertaking in an appropriate manner and location at least thirty one (31) metres above the ordinary high water mark of any adjacent water body, where any direct flow into a water body is not possible and no additional impacts are created.					
13	The Licensee shall contour and stabilize all disturbed areas to a pre-disturbed state upon completion of work.					
PART J: CONDITIONS APPLYING TO THE MONITORING PROGRAM						
1	The Licensee shall measure and record, in cubic metres, the daily quantities of water utilized drilling and other purposes as approved by the Board in writing.	Compliant To be provided in 2012 annual report				
2	The Licensee shall provide the GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where sources of water are utilized for all purposes.					
3	The Licensee shall determine the GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where wastes associated with drilling operations are deposited.					
4	The Licensee shall include in the Annual Report required under Part B, Item 2 all data, monitoring results and information required by this Part.					