



Water Resources Division
Nunavut Regional Office
Indian and Northern Affairs Canada
Iqaluit, NU X0A 0H0

Our File: 9545-1-2MCGG / CIDMS 202408
Reference: 2BE-MCG

March 17, 2008

Richard Dwyer
Licence Administrator
Nunavut Water Board
Gjoa Haven, NU X0B 1J0

Re: 2BE-MCG0608 / 5050 Nunavut Ltd. / McGregor Lake Project / Kitikmeot Region / Licence Renewal Application

Indian and Northern Affairs Canada (INAC) has reviewed the Type B licence renewal application submitted by 5050 Nunavut Ltd. for the McGregor Lake Project (2BE-MCG0608). The project's current licence allows the use of water and disposal of waste associated with camp activities and mineral exploration operations at the Mackenzie Igneous Event and Bear Valley Uranium exploration properties. McGregor Lake Project is situated on Crown and Inuit Owned Lands in the Kitikmeot Region, having a general coordinate of 115° 14' 27" north latitude, 66° 54' 45" west longitude.

The original 2BE-MCG0608 Water Licence allowed an exploration camp to be established at Iceberg Creek along the southwest shore of McGregor Lake. At the request of the Kitikmeot Inuit Association, this camp was not constructed and the proponent was requested to establish its 30 person camp at an abandoned exploration camp site along McGregor Lake's north shore. Project activities include prospecting, geological mapping, geophysical surveys, diamond drilling, and reverse circulation drilling.

The following advice is provided pursuant to INAC's mandated responsibilities for the enforcement of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Indian Affairs and Northern Development Act*. Indian and Northern Affairs Canada recommends that these comments be considered when reviewing this licence renewal application.

General

1. Since the McGregor Lake Project has a strong probability to continue, INAC believes that the 2BE-MCG0507 licence should be renewed for five (5) years. Consultation with the Proponent regarding this proposed licence term is advised.

2. All wastewater and drill cuttings produced from land-based drilling operations should be deposited in a properly constructed sump or an appropriate natural depression located at least thirty (30) metres from the normal high water mark of any adjacent water body, where direct flow into a water body is not possible and no additional impacts are created. Section 3.6.4 of the submitted Detailed Project Description states “If drill water is of poor quality (as according to regulations) it will be disposed of in a properly constructed sump, or an appropriate natural depression located at least 30m or 100m above the high water mark of water bodies.” The Proponent should define acceptable water quality (as according to regulation), and inform the Board and interveners.
3. Drill holes should have all rods and casings removed prior to their abandonment.
4. Upon completion of land-based drilling activities, drill holes should be sealed and capped to prevent possible vertical movement of water which may induce thermal erosion. All drill holes should be sealed at their lower and upper permafrost levels. Drill holes should be capped or sealed through the thermal active layer if artesian flows due to impervious layers and/or naturally occurring, confined salt water are encountered.
5. The Canadian Council of Minister’s of the Environment *Guidelines for the Protection of Freshwater Aquatic Life* should be followed when performing on-ice drilling activities. Specifically, when drill additives are not being used, return water must be non-toxic and not cause an increase in the total suspended solids within the immediate receiving waters above the thresholds identified in the CCME guidelines (i.e., 10 mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100 mg/L).
6. The Proponent should review its Uranium Exploration Plan on annual basis and if revisions are warranted, revised copies should be filed with Annual Licence Reports. The current plan is dated May 7, 2007.

Spill Contingency

7. The project Spill Contingency Plan should be revised to include the 24-hour contact information of the on-site supervisor. Furthermore, this information should be clearly communicated in the beginning of the document.
8. The project’s Spill Contingency Plan should include a detailed diagram of its main fuel cache. This diagram should be set at an appropriate scale and reference their GPS coordinates, proximity to adjacent freshwater sources, base contour lines, spill response equipment, and fuel transfer areas.
9. The Northwest Territory Spill Report Form included in the Spill Contingency Plan should be replaced with the Government of Nunavut Spill Report form. A copy of this form can be accessed from the Nunavut Water Board’s online public registry.

10. The project's Spill Contingency Plan should be revised to include contact information for Peter Kusugak, Manager of Field Operations, INAC Nunavut Regional Office (NRO); Melissa Joy, Water Resource Officer INAC NRO; and Baba Pedersen, Resource Management Officer INAC NRO.

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Abandonment and Reclamation

11. The project's Abandonment and Reclamation Plan should be revised to include drill site reclamation procedures.
12. Reclamation procedures specific to the McGregor Lake Camp site should be addressed in the Abandonment and Reclamation Plan. INAC understands that this site once hosted an exploration project and requires reclamation.

Indian and Northern Affairs Canada requests notification of any changes in the proposed project, as further review may be necessary. Please contact me should you have any questions or comments with regards to the foregoing. I can be reached by telephone at (867) 975-4555 or email at AbernethyD@inac-ainc.gc.ca.

Regards,

Original signed by

David W. Abernethy
Regional Coordinator

Cc. Jim Rogers, Manager of Water Resources – INAC, NRO
Peter Kusugak, Manager of Field Operations – INAC, NRO
Melissa Joy, Kitikmeot Water Resources Officer – INAC, NRO
Baba Pedersen, Kitikmeot Resource Management Officer – INAC, NRO
Phyllis Beaulieu, Manager of Licensing – Nunavut Water Board