



License #: **2BE-MRP1116**

Inspector: **Atuat Shouldice**

Inspection Date: **July 15, 2013**

CIDMS # **751584**

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|--------------------------|--|-------|-----------------|
| Client | Costal Gold/ IronOne Inc. | | |
| Mailing Address | 65 Queen Street West, Suite # 800, Toronto, Ont. M5H-2M5 | | |
| Inspection site location | Maguse River Project, Kivalliq Region, Nunavut | | |
| Contact name | Kevin Brewer | Title | Project Manager |
| Region | Kivalliq | | |
| | | | |



AANDC, Nunavut District Office
Box 100
Iqaluit, NU, X0A 0H0

November 4, 2013

Kevin Brewer
65 Queen Street West,
Suite # 800,
Toronto, Ont.
M5H-2M5
Email: kbrewer80@hotmail.com

RE: Inspection of Water Licence 2BE-MRP1116, July 15 2013

The Maguse River Project, is located at Latitude 61°45'12.5"N and Longitude 093°59'03.9"W in the Kivalliq Region of Nunavut. This Licence was assigned to IronOne Inc. in 2011. IronOne Inc holds a type 'B' water licence for camp operations and exploration activities. During the writing of this Report Kevin Brewer advised the inspector that Coastal Gold Corporation has started remediating the site as of this fall 2013 and should be fully remediated by the spring of 2014.

On July 15, 2013 a compliance inspection was carried out at the Maguse River Project. AANDC Inspectors Henry Kablalik and Atuat Shouldice performed the inspection. This Inspection Report outlines the following compliance issues to be addressed:

- Core cuttings not contained in a sump
- Annual Reports
- Water use fee's

Part A: Scope, Definitions and Enforcement

At the time of the inspection and of this writing, the Licensee holds a current Water Licence.

Part B: General Conditions

An Annual report has been submitted as required for 2011, and can be found on the NWB FTP site. Annual Reports for 2012 and 2013 still need to be submitted as required under the terms and conditions of the licence.

Part C: Conditions Applying to Water Use

During the time of the Inspection no one was on site, Sea can used as a water pump station was locked and area was clear, sea can was within the 31 meters and should be moved as soon as possible, to a distance of 31 meters or greater.

Part D: Conditions Applying to Waste Disposal

The site during the Inspection was very clean and tidy, an Incinerator was noted adjacent from the camp, and Incinerator looked like it needed some repair for next field season.

Parts F: Conditions Applying to Drilling and Trenching Operations

Sump constructed to contain core cutting behind core shack needs modifications and repair. During the time of the inspection the inspector noted that cuttings where not contained in the sump and could possibly run down gradient to the lake.



- 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:
 - 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. A description of all progressive and or final reclamation work undertaken, including photographic records of site conditions before, during and after completion of operations;
 - d. Report all artesian flow occurrences as required under Part F, Item 3;
 - e. Where drilling activity has penetrated below the permafrost layer, the depth of permafrost and location of the drill hole are to be included as required under Part F, Item 4;
 - f. A summary of all information requested and results of the Monitoring Program; and
 - g. Any other details on water use or waste disposal requested by the Board by November 1 of the year being reported.

Part F (2) Core cuttings behind Core Shack need to were dumped on ground and need to be placed in to a sump.

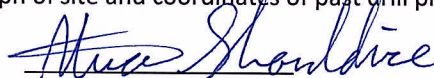
- The Licensee shall ensure that all drill waste, including water, chips, muds and salts (CaCl₂) in any quantity or concentration, from land-based and on-ice drilling, shall be disposed of in a properly constructed sump or an appropriate natural depression located at a distance of at least thirty one (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.

General Comments:

The overall site was very tidy and clean, Inspector had concerns with sump used for core cuttings that is located behind the core shack/tent frame, and cuttings were place outside the sump and not in it. During the remediation of the site the cuttings should be placed in to the sump that was constructed and back filled.

Once remediation is complete Inspector will need photograph of site and coordinates of past drill projects.

Atuat Shouldice
Inspector's Name


Inspector's Signature

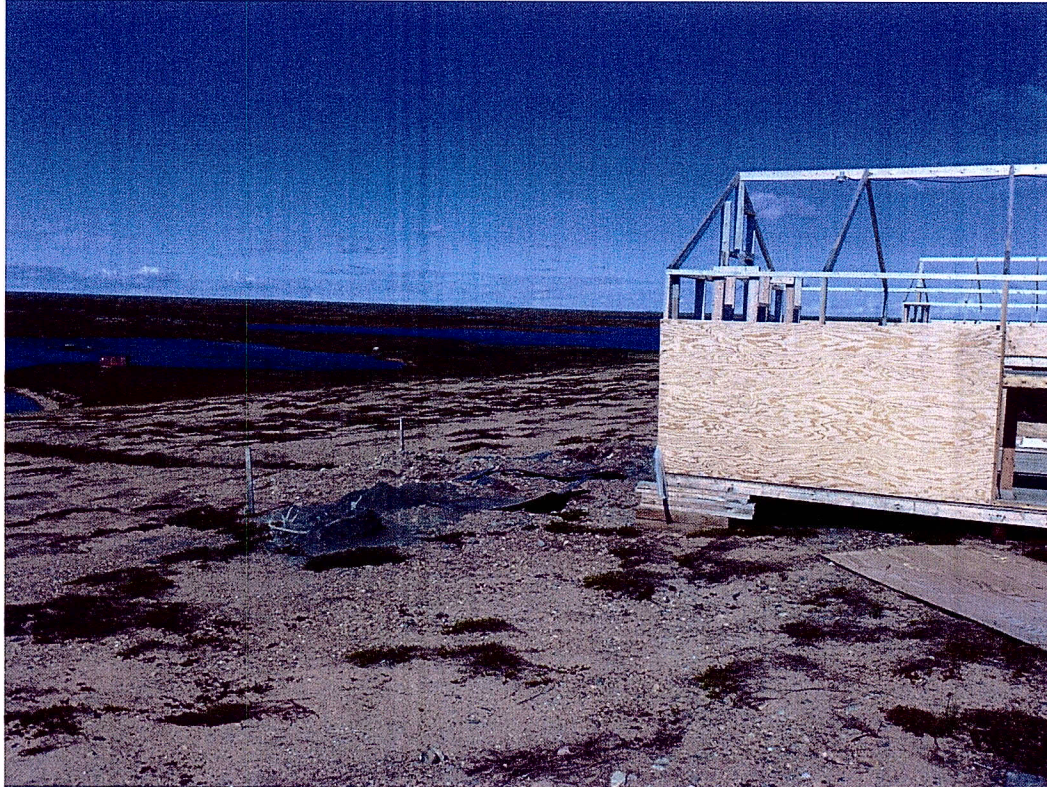
Atuat Shouldice

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Cc: Phyllis Beaulieu – Manager of Licensing, Nunavut Water Board



- Core cutting behind core shack -July 15th 2013



- Core cuttings on slop from core shack -July 15th 2013



- View of 2BE-MRP project site -July15th 2013