



Box 32, Wekweètì, NT X0E 1W0
Tel: 867-713-2500 Fax: 867-713-2502
(Main)

#1-4905 48th Street, Yellowknife, NT X1A 3S3
Tel: 867-765-4592 Fax: 867-669-9593

January 20, 2012

File: W2011L2-0002
(Renewal of W2006L2-0002)

Rick Schryer, Director of Regulatory Affairs
Fortune Minerals Limited
140 Fullarton St. Suite 1902
London, ON N6A 5P2

Dear Mr. Schryer:

ISSUANCE OF TYPE 'B' WATER LICENCE Renewal

Attached is the Water Licence Renewal granted by the Wek'èezhìi Land and Water Board (WLWB) in accordance with the *Mackenzie Valley Resource Management Act*. Please be advised that this letter, with attached terms and conditions, Reasons for Decision, Review Comment Table, all inspection reports, and correspondence related thereto, are part of the Public Registry and are intended to keep all interested parties informed of the manner in which the Licence requirements are being met. All Public Registry material will be considered if any future amendment to the Licence is requested.

The full cooperation of the Fortune Minerals Limited in adhering to the terms and conditions of the renewed Water Licence is anticipated and appreciated. If you have any questions regarding this letter, please contact Brett Wheler at (867) 765-4590 or brett@wlwb.ca.

Sincerely,

A handwritten signature in black ink that reads "V. Camsell-Blondin".

Violet Camsell-Blondin
Chair

Attachments: - W2011L2-0002 Water Licence
- Reasons for Decision

Copy to: - Charlene Coe for Scott Stewart - South Mackenzie District, AANDC



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Pursuant to the *Mackenzie Valley Resource Management Act* and Regulations, the Wek'èezhìi Land and Water Board, hereinafter referred to as the Board, hereby grants to:

Fortune Minerals Limited
(Licensee)

of 140 Fullarton Street, Suite 1902, London, Ontario, N6A 5P2
(Mailing Address)

Hereinafter called the Licensee, the right to alter, divert or otherwise use water subject to the restrictions and conditions contained in the *Northwest Territories Waters Act* and Regulations made thereunder and subject to and in accordance with the conditions specified in this License.

License Number:	W2011L2-0002 (Renewal of W2006L2-0002)
License Type:	B
Water Management Area:	Northwest Territories 1
Location:	63°33'N 116°45' W
Purpose:	To use water and dispose of waste and associated uses
Description:	Industrial undertaking for advanced mining exploration
Quantity of water not to be exceeded :	100 m ³ per day
Effective Date of License:	Initial Issuance January 23, 2007 Amendment 1, Aug 10, 2011 Renewal, Jan 23, 2012
Expiry Date of License:	January 22, 2017

This License issued and recorded at Yellowknife includes and is subject to the annexed conditions.

Wek'èezhìi Land and Water Board

Signature Chair

Signature Witness

A handwritten signature in black ink, appearing to read "V. C. Blandin".

A handwritten signature in blue ink, appearing to read "B. W. O'Neil".



CONDITIONS ANNEXED TO AND FORMING PART OF WATER LICENCE NUMBER W2011L2-0002

PART A: SCOPE AND DEFINITIONS

Scope

This Licence entitles Fortune Minerals Limited to use water and dispose of waste for industrial undertakings in mining exploration and associated uses at 63°33'N and 116°45'W, Northwest Territories.

This Licensee shall have applied for and received a new water licence for mining and milling undertakings before any ore bodies in the areas referred to in Part A of this Licence are brought into production, other than for the mining of a bulk ore sample.

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 *Northwest Territories Waters 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 automatically amended to conform with such regulations.

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, Tâîchô, and Municipal legislation.

Definitions

In this Licence: W2011L2-0002

“Act” means the *Northwest Territories Waters Act*;

“Analyst” means an Analyst designated by the Minister under Section 35(1) of the *Act*;



“Average Concentration” means the discrete average of four consecutive analytical results, or if less than four analytical results collected during a batch decant, and as submitted to the Board in accordance with the sampling and analysis requirements specified in the “Surveillance Network Program”;

“Board” means the Wek’èezhìi Land and Water Board established under Part 4 of the *Mackenzie Valley Resource Management Act*;

“Coarse-Grained Soil” means soil having a median grain size of $>75 \mu\text{m}$ as defined by the American Society for Testing and Materials D422-63 (2007) “Standard Test Methods for Particle-Size Analysis of Soils”, or subsequent edition.

“Freeboard” means the vertical distance between water line and crest on a dam or dyke’s upstream slope;

“Fine-Grained Soil” means soil having a median grain size of $<75 \mu\text{m}$ as defined by the American Society for Testing and Materials D422-63 (2007) “Standard Test Methods for Particle-Size Analysis of Soils”, or subsequent edition.

“Greywater” means all liquid wastes from showers, baths, sinks, kitchens and domestic washing facilities, but does not include toilet wastes;

“Inspector” means an Inspector designated by the Minister under Section 35(1) of the Act;

“Landfarm” means the landfarm described in “Appendix A-1: Landfarm Design for NICO Project” of the Water Licence Application dated December 5, 2011.

“Licensee” means the holder of this License:

“Minewater Settling Pond” means any natural or manmade depression designed to act as a settling facility for the purpose of separating solids from minewater;

“Minewater” means ground water or any water used in mining which is pumped or flows out of any underground workings or open pit;

“Minister” means the Minister of Aboriginal Affairs and Northern Development Canada;

“Modification” means an alteration to a physical work that introduces a new structure or eliminates an existing structure and does not alter the purpose or function of the work, but does not include an expansion.

“Sewage” means all toilet wastes and greywater;

“Sump” means an excavation for the purpose of catching or storing water in an underground working or at the bottom of a shaft;

“Toilet Wastes” means all human excreta and associated products, but does not include greywater;



“Waste” means waste as defined by Section 2 of the Act;

“Waste Disposal Facilities” means all facilities designated for the disposal of waste;

“Waste Rock” means all rock materials, except ore and tailings, which are produced as a result of mining operations;

PART B: GENERAL CONDITIONS

1. The Licensee shall maintain the current security deposit of \$70,000.00 until such time as it is fully or in part refunded by the Minister pursuant to Section 17 of the Act. This clause shall survive the expiry of this License.
2. The Licensee shall file an Annual Report with the Board not later than March 31st of the year following the calendar year reported which shall contain the following information:
 - a) the monthly and annual quantities in cubic metres of fresh water obtained from all sources;
 - b) the monthly and annual quantities in cubic metres of each and all waste discharged;
 - c) a summary of modifications and/or major maintenance work carried out on the water supply and Waste Disposal Facilities, including all associated structures;
 - d) tabular summaries of all data generated under the “Surveillance Network Program”;
 - e) a list of unauthorized discharges;
 - f) an outline of any spill training and communications exercises carried out;
 - g) a summary of any closure and reclamation work completed during the year and an outline of any work anticipated for the next year;
 - h) a summary of any studies requested by the Board that relate to waste disposal, water use or reclamation, and a brief description of any future studies planned;
 - i) any other details on water use or waste disposal requested by the Board by November 1st of the year being reported;
 - j) a description of any trenches and sumps excavated;
 - k) any revisions to the approved Contingency Plan;
 - l) any revisions to the approved Closure and Reclamation Plan;
 - m) a summary of exploration and development activities as they relate to water use and waste disposal;
 - n) the amount and location of waste water and sludge disposed of; and
 - o) summary of work completed.
3. The Licensee shall comply with the “Surveillance Network Program” annexed to this Licence, and any amendment to the said “Surveillance Network Program” as may be made from time to time, pursuant to the conditions of this Licence.



4. The “Surveillance Network Program” and compliance dates specified in the Licence may be modified at the discretion of the Board.
5. Meters, devices or other such methods used for measuring the volumes of water used and waste discharged shall be installed, operated and maintained by the Licensee to the satisfaction of an Inspector.
6. The Licensee shall maintain all postings for the stations of the “Surveillance Network Program to the satisfaction of an Inspector.
7. The Licensee shall ensure a copy of this Licence is maintained at the site of operation at all times.

PART C: CONDITIONS APPLYING TO WATER USE

1. The Licensee shall obtain all fresh water for domestic use from Lou Lake and for all industrial uses from Little Grid Lake.
2. The water intake hose used on the water pumps shall be equipped with a screen with a mesh size sufficient to ensure no entrainment of fish.

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

1. Within six (6) months of the issuance of this Licence, the Licensee shall submit to the Board for approval an updated Water Management Plan that includes, but is not limited to, the following:
 - a) a description of the collection, treatment and disposal methods and facilities for minewater and runoff waters from ore and waste rock storage areas, including methods for reducing and managing ammonia and total suspended solids concentrations in minewater at the site;
 - b) a description of any recycling initiatives for minewater and runoff waters from ore and waste rock storage areas;
 - c) a site map to scale, identifying all facilities for the collection, treatment and disposal of minewater and runoff waters; ore and waste rock storage areas and downstream receiving areas;
 - d) a description of measures or strategies that will be used to reduce the amount of ammonia entering minewater (source control);
 - e) contingencies for the treatment of minewater in the event it does not meet discharge criteria and there is a risk of the minewater exceeding the Minewater Settling Pond freeboard limit of 1.0 metre; and
 - f) contingencies for managing minewater in the event that the structural integrity of the Minewater Settling Pond(s) is compromised.



2. The Licensee shall implement the Plan referred to in Part D, Item 1, as and when approved by the Board.
3. The disposal of sewage shall be completed to the satisfaction of an Inspector.
4. The Licensee shall, not less than 60 days prior to any use of water or deposit of waste for mining undertakings, submit to the Board for approval a water balance for any basins or drainage water bodies which will or could receive waste discharges.
5. Any waste discharged to the receiving environment (includes *Surveillance Network Program Station 5-2*) by the Licensee shall have a pH between 6.0 and 8.5, no visible sheen of oil and grease, and shall meet the following effluent quality requirements:

PARAMETER	MAXIMUM CONCENTRATION	AVERAGE	MAXIMUM CONCENTRATION OF ANY GRAB SAMPLE
Total Ammonia	12.0 mg/L		
Total Arsenic	0.5 mg/L		1.0 mg/L
Total Cadmium	0.005 mg/L		0.01 mg/L
Total Copper	0.3 mg/L		0.6 mg/L
Total Lead	0.2 mg/L		0.4 mg/L
Total Nickel	0.5 mg/L		1.0 mg/L
Total Zinc	0.5 mg/L		1.0 mg/L
Total Suspended Solids	15.0 mg/L		30.0 mg/L
Oil and Grease	5.0 mg/L		10.0 mg/L

6. All analyses shall be conducted in accordance with methods prescribed in the current edition of "Standard Methods for the Examination of Water and Wastewater" or by such other methods as may be approved by an Analyst.
7. All cleaning materials, absorbent mats and sludge shall be separated from the water and disposed of in a manner approved by an Inspector.
8. The Licensee shall ensure that any unauthorized wastes associated with the "B" undertaking do not enter any waters.
9. The Licensee shall continue to operate in accordance with the approved acid rock drainage monitoring and contingency plan. This plan shall be reviewed annually and updated to reflect changes in operation or technology, or as requested by the Board. Any proposed updates shall be submitted to the Board for approval.
10. Effluent quality requirements for the landfarm:
 - a) Prior to the discharge of any water from the landfarm, the water shall be sampled and analyzed for the following parameters and shall meet the following criteria:



Parameter	Maximum Concentration
Total Petroleum Hydrocarbons:	
F1	2.2 mg/L
F2	1.1 mg/L
Total Suspended Solids	25 mg/L
Chemical Oxygen Demand	50 mg/L
Oil and Grease	No visible sheen
pH	6.5-9.0
Benzene	370 µg/L
Ethylbenzene	90 µg/L
Toluene	2 µg/L
Xylene	300 µg/L

- b) The Licensee shall provide water-sampling results to an Inspector and the Board prior to any discharge. Discharge shall not commence until authorized by an Inspector.
- c) The Licensee shall direct all discharge to a location on land that is authorized by an Inspector and is at least one hundred metres from the high water mark of any water body. The Licensee shall ensure that discharge does not enter any surface water body.

11. Soil quality requirements for the landfarm:

- a) Consistent with the criteria for remediation of residential/parkland (for eco soil contact) outlined in Appendices A2, A3, and A5 of the GNWT "Guideline for Contaminated Site Remediation" (2003), all treated soils from the landfarm shall meet the following criteria:

Parameter	Maximum Concentration
pH	6-8
Benzene	0.5 mg/kg
EthylBenzene	1.2 mg/kg
Toluene	0.8 mg/kg
Xylene	1.0 mg/kg

Total Petroleum Hydrocarbons	Maximum Concentration: Fine-Grained Soils	Maximum Concentration: Coarse-Grained Soils
Fraction 1 (C6-10)	260 mg/kg	130 mg/kg
Fraction 2 (>C10-C16)	900 mg/kg	450 mg/kg
Fraction 3 (>C16-C34)	800 mg/kg	400 mg/kg
Fraction 4 (>C34)	5600 mg/kg	2800 mg/kg

If testing of particle size is not completed by the Licensee to determine if soil is Coarse- or Fine-grained, soil must be treated to achieve the criteria for Coarse-grained soils.



- b) The Licensee shall provide soil-sampling results to an Inspector and the Board prior to any removal of soil from the landfarm. Any soil removed from the landfarm shall be deposited in a location authorized by an Inspector.

PART E: CONDITIONS APPLYING TO MODIFICATIONS

1. The Licensee may, without written approval from the Board, carry out modifications to the water supply and Waste Disposal Facilities provided that such modifications are consistent with the terms of this License and the following requirements are met:
 - 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 either the License or the Act;
 - c) 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
 - d) the Board has not rejected the proposed modifications.
2. Modifications for which all of the conditions referred to in Part E, Item 1 have not been met may be carried out only with written approval from the Board.
3. The Licensee shall provide to the Board as-built plans and drawings of the modifications referred to in this License within ninety (90) days of completion of the modifications.

PART F: CONDITIONS APPLYING TO CONTINGENCY PLANNING

1. The Licensee shall have a Contingency Plan in accordance with the Board's "Guidelines for Contingency Planning, January 1987" which must meet with approval of the Board.
2. If not approved by the Board, the Contingency Plan referred to in Part F, Item 1 shall be revised and resubmitted within three (3) months of receiving notification of the Board's decision.
3. The Licensee shall review the Contingency Plan annually and modify the Plan as necessary to reflect changes in operation and technology. Any proposed modifications shall be submitted to the Board for approval.
4. If, during the period of this License, an unauthorized discharge of waste occurs, or if such a discharge is foreseeable, the Licensee shall:
 - a) employ the appropriate contingency plan;
 - b) report the incident immediately to the 24 Hour Spill Report Line (867) 920-8130 in



- accordance with the instructions contained in the NT-NU Spill Report form;
- c) submit to an Inspector, a detailed report on each occurrence not later than thirty (30) days after initially reporting the event.; and
 - d) clean up the unauthorized discharge to the satisfaction of an Inspector.

PART G: CONDITIONS APPLYING TO CLOSURE AND RECLAMATION

1. The Licensee shall operate in accordance with the Closure and Reclamation Plan once approved by the Board. This Plan shall take into consideration all areas referred to in Part G, Item 2.
2. The Licensee shall address the following when completing or revising the Closure and reclamation Plan:
 - a) the water intake facilities;
 - b) the water treatment and waste disposal sites and facilities;
 - c) the petroleum and chemical storage areas;
 - d) any site affected by waste spills;
 - e) the natural runoff waters from the development site;
 - f) the restoration of natural drainage and the restoration of stream banks at the operation site(s);
 - g) the potential for groundwater contamination;
 - h) any facilities or areas which may have been affected by development such that potential pollution problems exist;
 - i) a phased approach and implementation schedule;
 - j) maps delineating all disturbed areas, borrow material locations and site facilities;
 - k) a proposal identifying measures by which restoration costs will be financed by the Licensee upon abandonment;
 - l) the waste rock and ore storage areas;
 - m) sediments contained within the settling ponds and dilutions cells; and
 - n) the acid generation potential and leachability of tailings, waste rock and ore piles, and any other areas identified as having the potential to leach or be acid generating.
3. The Licensee shall revise the Plan referred to in Part G, Item 1 if not approved. The revised Plan shall be submitted to the Board for approval within three (3) months of receiving notification of the Board's decision.
4. Notwithstanding the time schedule referred to in the Closure and Reclamation Plan, the Licensee shall endeavor to carry out progressive restoration of areas which are abandoned prior to closure of operations.
5. The Licensee shall complete the restoration work within the time schedule specified in the Plan, or



as subsequently revised and approved by the Board.

6. The Licensee shall review the Closure and Reclamation Plan annually and shall modify the Plan as necessary to reflect changes in operation, technology, and results of reclamation and/or other studies. The proposed modifications shall be submitted to the Board for approval.
7. Upon implementation of the Closure and Reclamation Plan, the Licensee shall provide to the Board updates of all closure and reclamation activities by March 31st of each year.
8. Compliance with the Closure and Reclamation Plan specified in this Licence does not limit the legal liability of the Licensee, other than liability arising from provisions of the Act and its Regulations.

WEK'ÈZHIÌ LAND AND WATER BOARD

Signature Chair



Signature Witness







SURVEILLANCE NETWORK PROGRAM

LICENSEE: Fortune Minerals Limited

LICENCE NUMBER: W2011L2-0002

EFFECTIVE DATE: January 23, 2012 (Amendment 1, Aug 10, 2011)

1. Location of Surveillance Stations

<u>Station Number</u>	<u>Description</u>
5-1	Underground minewater settling pond INACTIVE
5-2	Minewater and surface water discharges from the portal ACTIVE
5-3	Outflow from external minewater settling pond INACTIVE
5-4	Little Grid Lake (within 5 metres of southern shore) INACTIVE
5-5	Water intake at Lou Lake ACTIVE

e) Sampling and Analysis Requirements

1. During periods of minewater discharge, effluent at Station Number 5-2 shall be sampled prior to discharge, once during the first week and monthly thereafter, and analysed for the following parameters:



Total Arsenic	Total Suspended Solids
Total Ammonia	Oil and Grease
ICP Metal Scan (23 metals)	pH
Conductivity	

- Water at Station Number 5-5 shall be sampled monthly during site occupation and analysed for the following parameters:

pH	Total Ammonia
<i>e. coli</i>	BOD ₅
Total Suspended Solids	Total Dissolved Solids
Conductivity	

- More frequent sample collection may be required at the request of an Inspector.
- All sampling, sample preservation and analyses shall be conducted in accordance with methods prescribed in the current edition of “Standards Methods for the Examination of Water and Wastewater”, or by such other methods approved by an Analyst.
- All analyses shall be performed in a laboratory approved by an Analyst.
- A quality assurance/quality control plan which includes both field and laboratory requirements shall be submitted to an Analyst for approval not less than 60 days in advance of any sampling conducted.

f) **Flow and Volume Measurement Requirements**

- The monthly quantities of water pumped from Surveillance Network Program Station Number 5-5 for domestic use.
- The quantities of water in cubic metres discharged from the portal shall be estimated and recorded to the satisfaction of an Inspector.

g) **Reports**

- The Licensee shall within 30 days following the month being reported, submit to the Board all data and information required by the “Surveillance Network Program” including the results of the approved quality assurance plan.
- The Licensee shall, unless otherwise requested by an Inspector, include all of the data and information required by the “Surveillance Network Program” including the results of the approved quality assurance/quality control program in the Licensee’s Annual Report, which



Report shall be submitted to the Board on or before March 31st of the year following the calendar year reported.

3. The Licensee shall, within fifteen (15) days of the completion of the decant operation, submit to the Board all the data and information required in the "Surveillance Network Program".

WEK'ÈEZHÌI LAND AND WATER BOARD

Signature Chair



Signature Witness



