

**REGISTRATION PURSUANT TO
PART X of
THE ENVIRONMENTAL PROTECTION ACT**

**FOR
THE DEER COVE GOLD DEPOSIT**

**Ming's Bight Area, Baie Verte,
Newfoundland**

**TENACITY GOLD MINING COMPANY LTD.
St. John's, Newfoundland**

March 9, 2010

REGISTRATION FORM
Pursuant to Part X of
The Environmental Protection Act

NAME OF UNDERTAKING: **Deer Cove Gold Deposit**

PROPONENT:

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SUMMARY

Tenacity Gold Mining Company Ltd. (Tenacity) is the holder of Map Staked Mineral License No. 8014M located near Ming's Bight, Baie Verte, Newfoundland. Tenacity proposes to mine a portion of the Deer Cove gold-quartz vein; approximately 7,600 tonnes of moderate grade gold-quartz vein will be mined. This tonnage plus the existing 4,275 tonne low-grade gold stockpile will be trucked to and milled at the currently operating Nugget Pond gold mill facility near Snooks Arm.

The Deer Cove area was first explored by Noranda Exploration between 1986 and 1990. In May 1986 a very high-grade gold in quartz vein outcrop was discovered at Deer Cove by a Noranda prospector which led to a major exploration program in the region. During 1986 and 1988 Noranda drilled 145 drill holes and completed 512 m of underground adit-drift development work along the Deer Cove gold quartz vein to partially define a small, narrow, moderate-grade gold shoot beginning at surface and down to a vertical depth of 33 m, just below the existing adit floor. The property was abandoned by Noranda in 2001 and subsequently staked by Tenacity. Detailed surface and underground geological mapping and sampling of the vein by Tenacity during 2008 and 2009 has demonstrated confidence that this portion of the vein can be economically mined by a combination of contiguous mining methods over a six to eight week period.

The proposed mining project will occur almost entirely within an existing brownfield site which was abandoned by previous owners. Tenacity is fully committed to a full reclamation/restoration program at the completion of mining during the fall 2010 which will also encompass the abandoned workings and waste left by the previous owners. Once mining is complete the adit and open stope will be backfilled with waste rock from an existing stockpile near the adit plus additional waste rock generated from the small trench-open pit. Reclamation by grading and topsoil cover of the trench-open pit and temporary haul road will begin immediately following the backfilling stage. The remnants of the existing waste stockpile will be graded to conform to topography.

During 2009 Tenacity began a program of water quality collection and analysis in the adit area and Deer Cove pond area for baseline database purposes. In addition, Tenacity initiated an ARD (acid rock drainage) rock sampling program from the adit and waste stockpile to indicate if these host wall rocks have the potential to generate acid mine waters. Both programs are under the direction of Stantec Consulting Ltd. (Stantec). Both programs will be continued into and beyond the mining operation with adjustments to comply with the appropriate requirements at each stage of the mine life.

The Baie Verte area has a long history of mining with mineral production beginning at Tilt Cove in the early 1860's. Many of the local communities, including Ming's Bight, have derived a significant portion of their livelihoods from mining, both in the Baie Verte area and more recently in many areas of the world as contract miners. These communities are highly supportive of mineral exploration, development and mining especially in their home areas. Over the past 13 years the Baie Verte Peninsula has had a new gold mill and three new gold deposits proceed into production. In 2008 Anaconda Mining Ltd. placed the Pine Cove gold deposit into production

and is currently in the process of upgrading their mill for input of 700 tonnes/day. This mine is located several kms south of the Deer Cove Project.

The Nugget Pond mill now entirely relies on gold production from distant ore deposits and is fully set up to 'toll mill' other companies' ores on a contract basis. On March 2, 2010 Tenacity signed a formal toll milling agreement with Rambler Metals & Mining Ltd. the new owners of the mill. This production will be derived from tonnages from both Deer Cove and Stog 'er Tight gold deposits.

Development and mining of the Deer Cove deposit will provide short term but lucrative employment for up to 19 people in the Baie Verte area.



Aerial view of Deer Cove adit and stockpile, October 1987; looking North.



'Ore' stockpile and waste dump; adit at left; looking NE; June 2008.

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1 THE UNDERTAKING

1.1 Nature of the Undertaking

Tenacity Gold Mining Company Ltd. (Tenacity) is the holder of Map Staked Mineral License No. 8014M located near Ming's Bight, Baie Verte, Newfoundland. Tenacity proposes to mine and mill a portion of the known Deer Cove gold-quartz vein. This ore plus the existing low-grade stockpile total approximately 11,875 tonnes will be trucked to the currently operating Nugget Pond gold mill facility near Snooks Arm.

1.2 Purpose/Rationale/Need for the Undertaking

The gold-bearing vein is geologically and structurally complex. Sufficient historical drilling and underground adit-drift development work was carried out by Noranda Exploration during 1986 to 1989 to partially define a small, narrow, possible moderate-grade gold quartz vein. Recent detailed geological mapping and sampling of the vein indicates this section of the vein can be economically mined with the current high gold price.

The Deer Cove gold-quartz vein is folded and faulted and may present an extreme mining challenge due to a lack of geological continuity both along strike and dip of the vein in addition to irregularities with the gold grades within the gold shoot.

Tenacity proposes to mine the currently accessible portion of the vein and together with the existing low-grade stockpile would be trucked to the Nugget Pond gold mill for mill processing.

2 DESCRIPTION OF THE UNDERTAKING

2.1 Geographical Location

The Deer Cove gold deposit is located approximately 4.2 km north of Ming's Bight near Baie Verte, north-central Newfoundland. Ming's Bight is about 26 road kilometres from the town of Baie Verte. An existing gravel road, 6.5 km in length from near Ming's Bight leads directly onto the Deer Cove property and to the existing underground mine adit (see Figure 1).

The Deer Cove property is included under Map Staked License No. 8014M (Figures 1 & 2). The adit is located on NTS map 12I/01 at UTM coordinates 5,540,645N and 568,510E (NAD 1927, Zone 21) and at elevation 76 metres above sea level (Figure 2).

2.2 Physical Features

Geographical Setting

The Deer Cove property is located on the Pt. Rouse Peninsula of the Baie Verte Peninsula and within a small, locally restricted watershed containing the nearby Deer Cove Pond and Devils Cove Pond plus several intermittent small streams which flow into Deer Cove Pond. These water bodies flow westerly into the Atlantic Ocean at Deer Cove (Figures 3 & 4).

Scrub brush and small stunted spruce covers the majority of the Deer Cove property with outcrop making up approximately 10-15%. No merchantable-size timber exists on the property. Glacial till overburden is generally thin likely ranging from 0.1 m to less than three metres thick although it may be up to ten metres thick in several of the prominent, steep-sided valleys.

Topography

Topography in the area is generally rolling to steep and rough terrain with elevations ranging from sea level to 170 m above sea level (Figure 3). The existing adit is at elevation 76 m above sea level, approximately 28 m above Deer Cove Pond.

Climate

The climate in the north central Baie Verte area of Newfoundland is temperate with six to seven months of snow-free and ice-free seasons from April-May to November. Typical seasonal variation includes snowy winters from late November to March and summers from June through September. At the Baie Verte weather station the approximate 30-year averages of the mean winter temperature (i.e. the mean monthly averages of November to March) is -6°C and ranges from $+0.2^{\circ}\text{C}$ in November to -10°C February. Winter conditions, with moderate to heavy snowfalls usually begin in early December and remain until late-March. The average winter snowfall is approximately 49 cm per month with ranges of 31 cm in November to 88 cm in January.

The mean 'summer' temperature (mean monthly averages of April to October) is 9°C and ranges from 0°C in April to 15°C in July. The average annual precipitation is 94 mm per month with ranges of 73 mm in April to 112 mm in December (Environment Canada, 2006). Mineral exploration work can easily be carried out year round on the property. Mining work could be efficiently carried out in Deer Cove from late May to late November. Mine related work during December to April would be costly for a small-scale operation due to snow removal and freezing conditions on equipment and rock stockpiles.

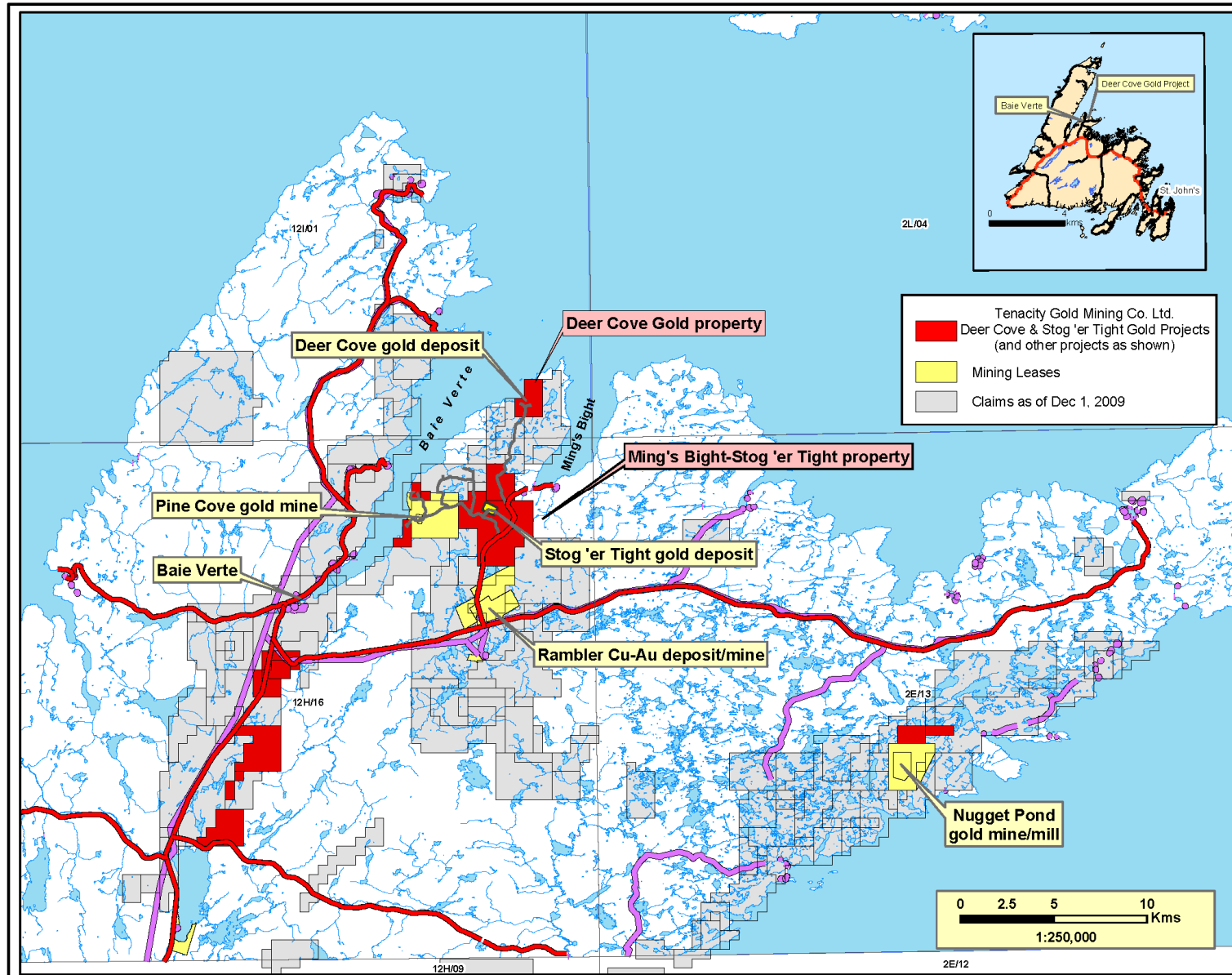


Figure 1 Location Map of the Deer Cove Gold Project, Baie Verte (1:250,000).

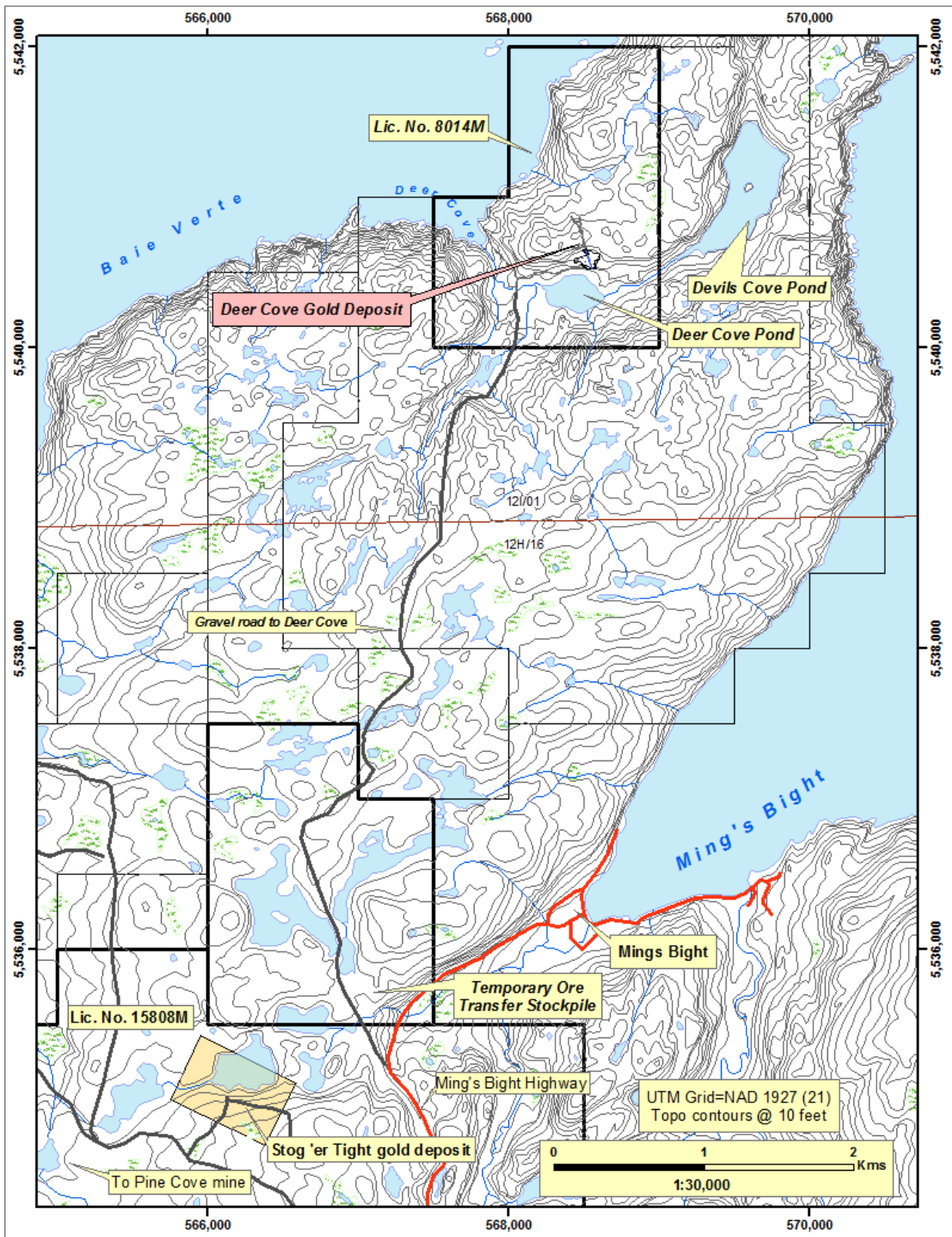


Figure 2 Ming's Bight to Deer Cove Project map (1:30,000)

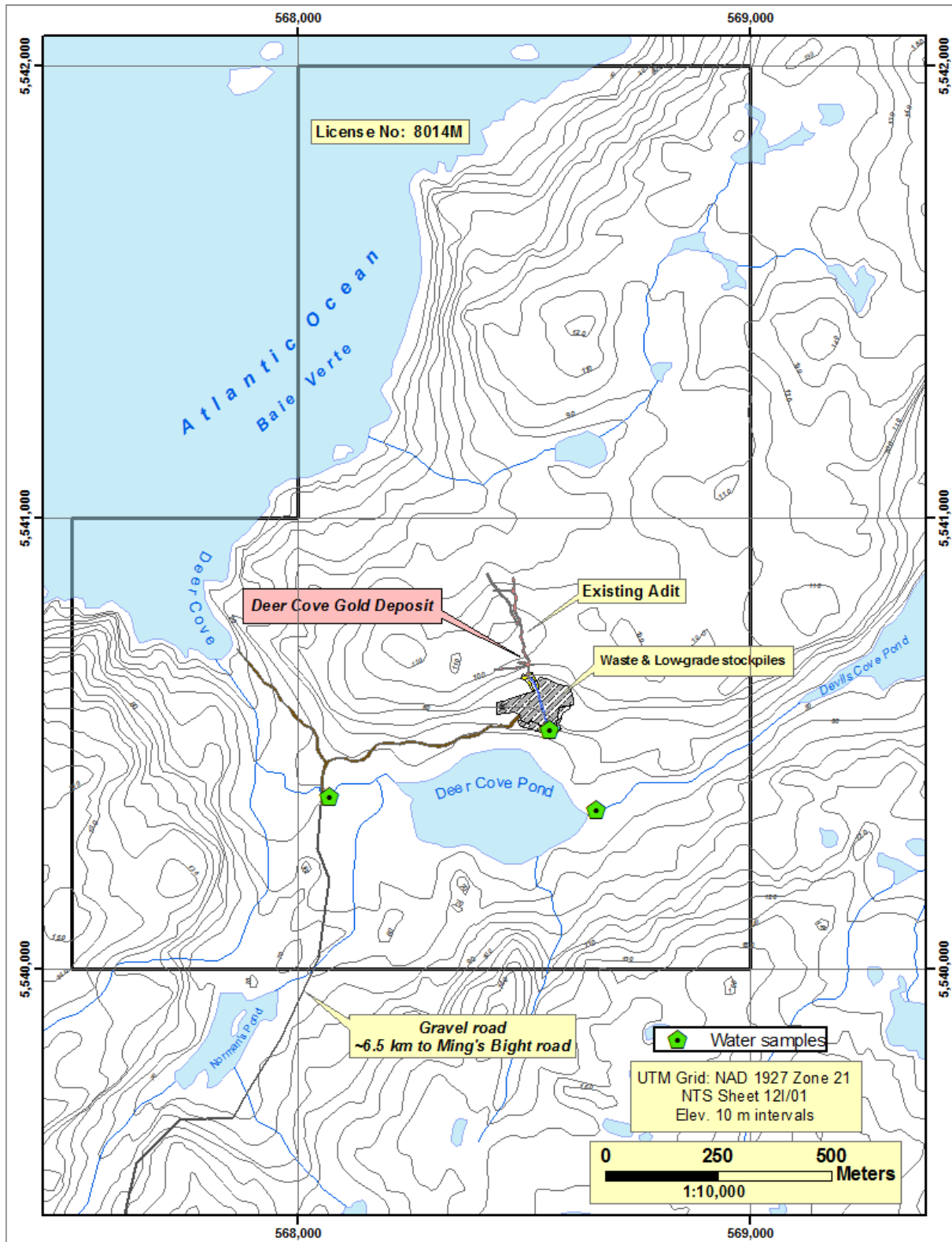


Figure 3 Property & infrastructure on the Deer Cove Gold Project, Ming's Bight area (1:10,000)

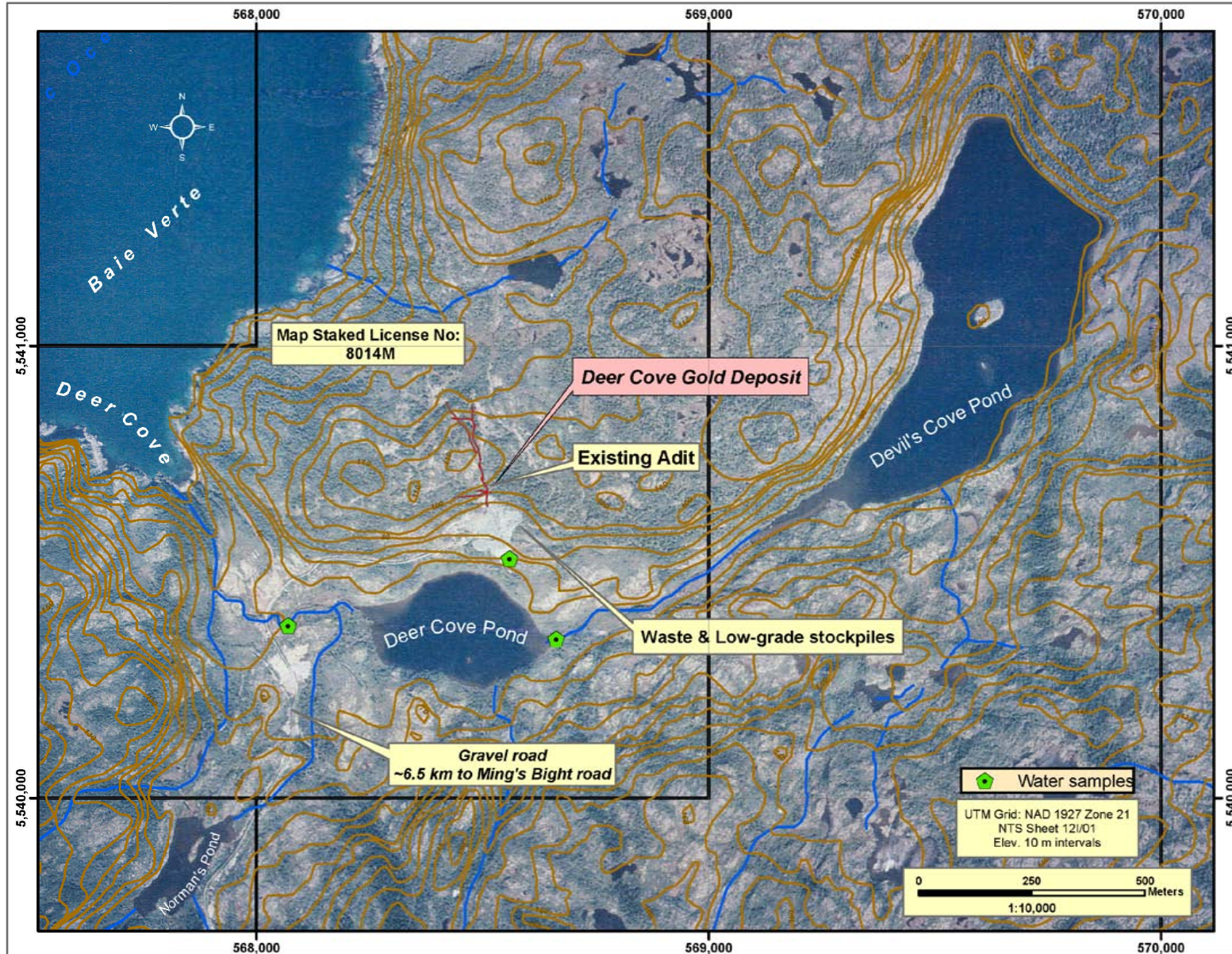


Figure 4 Aerial Photo of the Deer Cove Pond, Adit and Stockpile Area (1:10,000)

Water Quality

A baseline water quality sampling program has been started at the site as further described in Section 2.6.2, below. In general, the water quality upstream and downstream of the mine, and the water flowing from the historical mine workings is of good quality with normal pH and typical freshwater chemistry.

Wildlife Species & Fish

Wildlife in the Deer Cove valley area is not abundant but rabbit, fox and small song birds have been observed. Moose and black bear were known to inhabit the area in the past but few signs of either have been noted by the proponent over the past seven years during summer or fall seasons. Small birds and some grouse have been seen in the area; larger birds of prey such as eagles or hawks are known to occur along the coast of Baie Verte but have not been observed in the Deer Cove pond area. Neither Deer Cove pond nor Devils Cove pond are frequented by local residents for trout fishing and the proponents personnel have yet to see signs of trout in these ponds or brooks.

2.3 Infrastructure

Most of the required physical infrastructure, such as access road, underground adit, marshalling/storage area, is already in place from Noranda Exploration's 1987 exploration-development program. No new construction or infrastructures such as roads, power lines, stream diversions, dams or long-term buildings will be required. A temporary 140 m long haul road will be required to the east of the adit to gain access to the surface portion of the vein.

Access Road

The Deer Cove gravel road from near Ming's Bight to the existing adit was constructed by Noranda Exploration in 1987 (Figures 2 & 3). Several stream culverts (24 and 32" galvanized corrugated pipe) were placed by Noranda at that time and these are still in excellent condition today. The road is approximately 6.5 km long and is in need of minor grading, clearing of alders and some ditching repair. Several minor washouts in the road will require repair. No other natural streams or rivers will be crossed or culverted.

Underground Adit

During 1987 Noranda Exploration drove a 3.3 metres wide by 3.0 m high adit along the partially defined gold bearing quartz vein. The vein was intersected 25 m from the collar of the adit and partially exposed good gold values for the next 32 m of strike length along the adit. The adit was continued for an additional 168 m of strike length in an attempt to follow the vein. A second sub-parallel drift was driven for a length of 135 m; several crosscuts and wall slashing totalling approximately 158 m in length were also driven in 1987 (Figure 5). The portal of the decline was timbered using three sets

of 10" x 10" x 8 foot long lumber and boarded with 3" thick plank. A welded steel door currently prevents unauthorized access to the adit.

During June 2008 and again in June 2009 Tenacity entered the adit with an experienced miner to examine the portal and rock ground conditions. The portal timbers are still in excellent condition and show no signs of rot or displacement. The entire adit was thoroughly examined; there are no cases of loose rock existing in the back or walls and no evidence of loose rock having fallen from the back since 1988 when Noranda closed the adit. Oxygen tests conducted along the entire length of the adit revealed O₂ levels to be consistently 20.9% oxygen, which is normal, well ventilated air. Because of the parallel drift there is excellent natural air circulation and ventilation. An estimated 5-10 gallons per minute of clear fresh water is being made from natural rock fractures and several test holes in the walls of the adit. This water flows out the mouth of the adit, along a ditch and over the waste stockpile and eventually makes its way into Deer Cove Pond with no apparent adverse affects.

Waste Stockpile

During Noranda's underground exploration-development program a total of 512 m of drifting was accomplished which produced approximately 12,900 tonnes of broken rock made up of 8,625 tonnes of waste rock (basalt & gabbro) and 4,275 tonnes of low-grade gold 'ore'. The waste rock was distributed around and out from the adit portal and eventually formed a waste stockpile of approximately 100 m by 50 m in area (Figures 3, 4 & 5).

Low-Grade Gold Stockpile

Noranda recovered and built a low-grade 'ore' stockpile derived from the initial 32 m long medium-grade gold shoot (1,275 tonnes with a diluted grade of 6.7 g Au/t) and a low-grade tonnage derived from the next 150 m long portion of the vein (3,000 tonnes with a diluted grade of 1.6 g Au/t). Both stockpiles were placed separately on the waste pile (see Figure 5) for possible future milling. A total of 4,275 tonnes grading approximately 3.1 g Au/t exist in this low-grade gold stockpile. This entire stockpile will be trucked to the Nugget Pond mill for processing.

Electrical Power

No electrical lines will be required. We propose to use a portable diesel generator (75 kW) with enough capacity to supply the small operation.

Buildings & Accommodations

A portable trailer will be used on site for lunchroom and office. This will be located near the adit and will be removed at the end of the operation. The entire workforce will be local residents of the Baie Verte area and no on-site accommodations will be required.

Other Support Equipment

A portable diesel air compressor (600 m³) will be used for drill compressed air. A fire fighting water pump and fire hose will be on site at all times. Water will be sourced from the drainage ditch sump.

Potentially Affected Areas

Due to the restricted nature of the narrow vein mining and the methods proposed herein to extract it, only two small areas of less than 1,500 m² total area will be temporarily affected. This includes waste rock removal adjacent to the gold-quartz vein and a temporary haul road built from waste rock on the existing waste stockpile. At the completion of mining operations the open stope will be back filled. This is the main part of our reclamation plan and is described in more detail under Operations below.

The existing adit is currently producing 19-38 litres/minute (during excessive wet periods) of clean water and less than 19 litres/minute during summer months. All of this water is natural spring water coming from fractures and two drill holes in the adit. Since 1987 all of this water has been directed into a one metre deep ditch adjacent to the mouth of the adit where it flows for about 100 m to the south end of the waste stockpile and into a bog adjacent to Deer Cove Pond (Figure 4). There is no evidence whatsoever anywhere along this ditch or over the waste pile of any sulphide oxidation or bacterial growth. There is no visual evidence of adverse color, cloudiness or algae growth in Deer Cove Pond where the drainage water enters the bog and the pond. During 2009 we initiated, through Stantec, a water sampling program in the Deer Cove pond area to ensure a strong baseline for water quality discharge monitoring.

We will use approximately 2,100 m³ of waste rock from the stockpile to build the access road to the surface exposure of the vein. Once mining is complete approximately 6,000 tonnes of the stockpile will be used to backfill the open stope and adit. The remainder of the waste pile will be contoured graded with slopes maintained at the required grades to conform to the surrounding topography.

Tenacity will construct near the mouth of the adit a series of settling sumps for all mine discharge water to flow into. We will recycle this water for our drill water needs and the sumps will act to remove any drill cuttings and waste from the water before reentering the ditch.

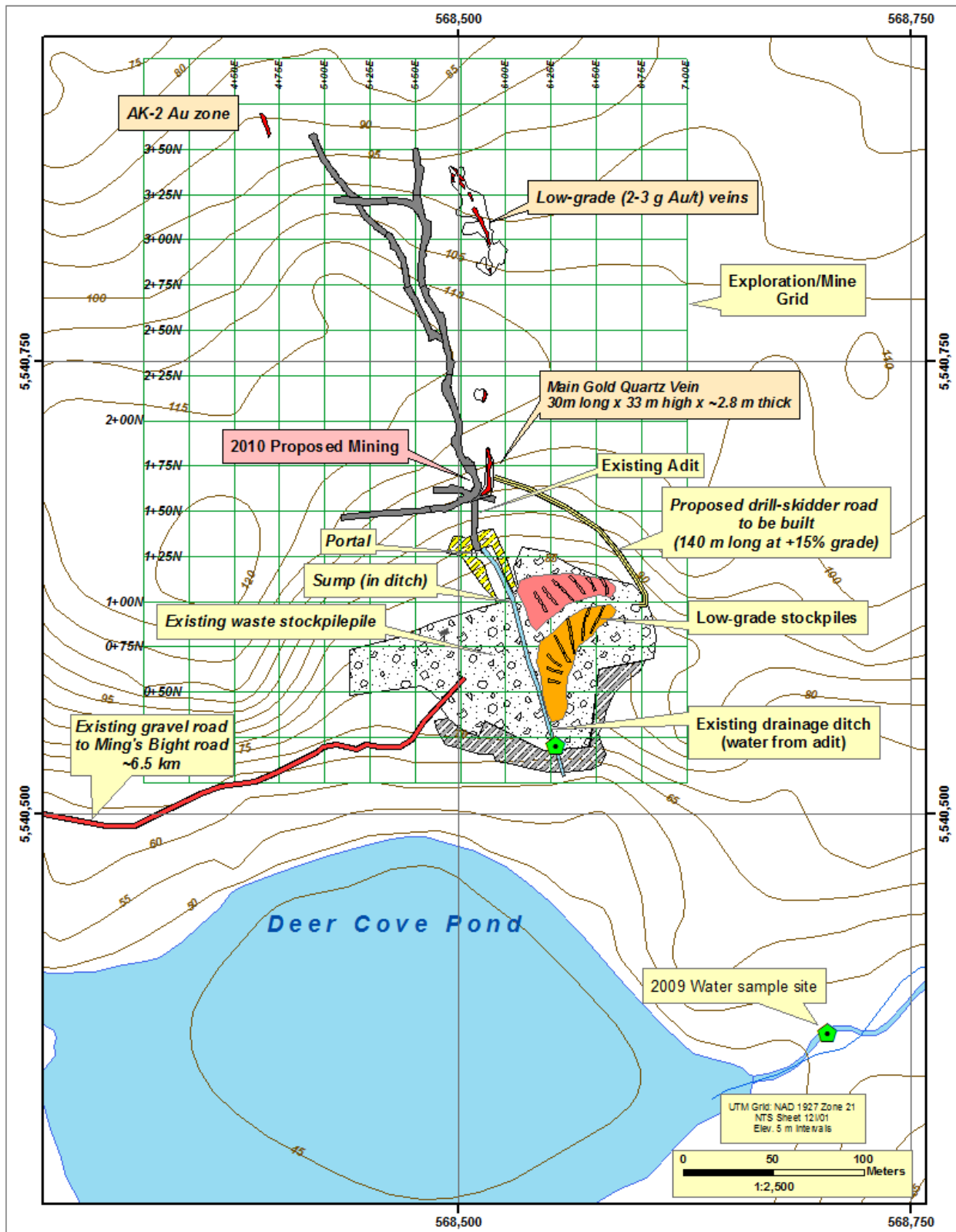


Figure 5 Deer Cove Gold Project detailed Site Plan (1:2,500)

2.4 CONSTRUCTION

The Deer Cove underground mining will be a relatively small operation utilizing the removal of approximately 11,900 tonnes from underground and the existing low-grade stockpile. Approximately two to three weeks will be required to repair the existing access road, mobilize and setup the temporary facilities and construct a temporary haul road to the vein outcropping on surface. In addition, an existing cleared marshalling area near the start of the Deer Cove gravel road will be rehabilitated to be used as a temporary stockpile area (Figure 2). This stockpile area will be used for temporarily storing the Deer Cove ore and for reloading into highway haul trucks for transport to the Nugget Pond mill.

It is anticipated to begin road repairs-upgrading by early-June, 2010 and to complete the Construction stage and be ready to begin the mining Operations by July 1, 2010.

2.4.1 Potential Sources of Pollution

Potential sources of pollution during the Construction stage may include:

Water

During rehabilitation of the existing gravel access road, dust and fine material have the potential to get into ponds and streams near the road. To minimize this, sediment-trapping material such as approved filtration fabrics will be used in areas subject to siltation and erosion.

The current access road passes adjacent to and within 25 to 30 m of approximately a 50 m length of the drinking water supply pond for Ming's Bight. If necessary, dust will be controlled here by the application of water to the road.

Noise

The Deer Cove adit site is 4.2 km from any homes in Ming's Bight. Equipment noise and truck travel will be attenuated by the surrounding forest growth and rolling topography. Noise is not expected to be a concern for residents of Ming's Bight or wildlife in the area.

Air Emissions

All company and contractor vehicles and equipment are required to be in good and safe operating conditions. As the road rehab is a minor job it is not anticipated that heavy equipment will spend much time on the access road or the proposed waste rock ramp.

Dust

The only potential source of dust is from the existing gravel access road. If needed during the construction stage we will use water to control any dust situations.

Fuel and Lubricants

Construction activity poses a risk for the release of diesel fuel and lubricants from construction equipment. Tenacity will ensure that all contractors and company equipment are inspected daily to ensure no hydrocarbon leaks occur.

During the construction stage an authorized diesel fuel storage tank will be established within a few hundred metres of the adit. This fuel tank will be an approved double walled container with a self-contained holding berm to contain potential leaks. This fuel tank will be filled/serviced by an authorized fuel distributor in Baie Verte. Several emergency oil spill kits will be placed near the fuel tank and operating equipment. Spill kits will be placed at the ore transfer stockpile site as well as on all vehicles on the property.

Used oils and lubricants will be contained in proper bins and disposed of with a local licensed waste oil handler.

Sewage

Sewage will be controlled by an on-site portable facility ('port-a-potty' type unit) during and after construction. The holding tank will be emptied by a pump truck on a regular basis and disposed of in an appropriate manner. There will be no dry-change rooms on site and hence no showers requiring grey water disposal.

Waste & garbage.

All solid waste (wood, steel, etc.) and small garbage will be collected and hauled to an existing local municipal landfill facility, with permission of the operator, on a regular basis. Any food or organic garbage onsite will be held in animal-proof containers to prevent attracting wildlife. All such foods and scraps will be removed daily.

2.4.2 Potential Resource Conflicts

No significant resource conflicts are expected during the brief construction phase. Any potential conflicts are outlined under Operations - Potential Resource Conflicts. No marketable timber exists in the area and the area is not known as an attractive fishing or hunting area. Local residents do on occasion fish for trout in several small ponds adjacent to the access road but these fishing spots are located at least 4 km south of the adit area. Local residents do not fish in Deer Cove Pond or any of the adjacent ponds in the local Deer Cove water shed due to the lack of success in finding and catching trout in these ponds.

Except for the temporary short haul ramp near the adit, there are no new roads to be constructed and no new stream crossings. Fish, wildlife and their habitats will not be altered, disturbed or destroyed during or after the construction phase.

2.5 MINING OPERATION

The Deer Cove project will be a small mining operation from a few metres below the existing adit floor to surface, a vertical height of approximately 33 metres. It is anticipated that the entire mining-extraction period will range from six to eight weeks, depending on the ore vein continuity. Following completion of the mining, approximately three to four weeks will be needed to backfill the open stope, close the adit, grade the remaining waste pile and remove the facilities.

2.5.1 Proposed Mining

The existing adit was driven by Noranda Exploration in 1987 to explore and test the quality of the gold bearing quartz vein. Results at that time indicated the vein to be too low-grade and too small to justify a mining operation. With today's higher gold price and the existence of the successfully operating Nugget Pond gold mill, a small section of the Deer Cove gold vein is economically viable.

The Deer Cove gold-quartz vein is a small, narrow, moderate-grade gold shoot with a 'Probable' and 'Possible' gold ore resource of 35,000 tonnes grading 8 to 12 g Au/t over a strike length of 30 m and a vertical height of 105 m.

Tenacity proposes to mine the currently accessible section of the known Deer Cove gold-quartz vein from the adit level to surface over a vertical height of 33 metres. This section of the vein contains a 'Probable' ore reserve-resource of approximately 7,600 tonnes grading 11.2 g Au/t. This section of the vein is 30 m long by 2.8 m wide by 37 m high.

The remaining approximately 27,000 tonnes are 'geologically inferred' resources and are strictly based on eight widely spaced drill hole intersections, several of which are unreliable. This inferred resource is not economical to mine at present.

The gold-quartz vein is folded and faulted and may present an extreme mining challenge due to a lack of geological continuity both along strike and dip of the vein in addition to irregularities with the gold grades within the gold shoot.

The mining methods proposed to extract the vein will be accomplished in four contiguous stages:

- 1) Trench-open pit: approximately 10 m depth of the vein from surface will be mined by trench type open pit. Two 5 m high benches would be blasted immediately west of and adjacent to the vein; the vein would then be blasted separately and mucked to an 'ore dump' on the existing waste stockpile for trucking to the Nugget Pond mill. Drilling and blasting would be done with a small air-track drill and ore mucked with a backhoe into trucks and hauled to the 'ore dump'.

Prior to mining all topsoil overlying the open pit area will be excavated and stockpiled. An area adjacent to the open pit will be set aside for temporarily stockpiling the topsoil and all waste rock derived from the pit. Once mining is

complete the mined stope and open pit will be back filled with waste rock, graded and covered with the stockpiled topsoil to aid in natural revegetation.

- 2) The floor of the existing adit would be ramped down on and slashed and benched the full 32 m length of the vein to a depth of 6 m. The floor would then be backfilled with waste to its original level. All drilling and blasting would be done with a drill jumbo and/or hand held air jackleg drills. Ore would be mucked by a low-profile front-end loader (scooptram) directly to the 'ore dump' for trucking to the mill.
- 3) The back of the vein in the adit would be slashed and breasted to a maximum height of 7 m. Drilling and blasting would be done with a drill jumbo and/or hand held air jackleg drills. Ore would be mucked by a low-profile front-end loader (scooptram) directly to the 'ore dump'.
- 4) From the floor of the trench-open pit (see 1, above) and using the air track drill, a slot or drop raise (3 m by 2.5 m wide) would be drilled into the back of the stope (see 3) above) and blasted up to the floor of the trench, a distance of ~9 m. Once this drop raise is established the remaining 30 m of strike length of the vein would be mined by long holes drilled from the floor of the trench-open pit through the back of the stope and blasted in 3 to 5 m strike length segments along the vein. All loading of the blast holes would be done from surface. Broken ore would be mucked from the stope with a scooptram and hauled to the 'ore dump'.

Figure 6 shows the proposed mining layout stages for the Deer Cove gold quartz vein.

Once mining is complete the open stope will be backfilled using the existing waste stockpile dumped into the trench-open pit and down into the stope (see Section 2.6.2).

2.5.2 Trucking of Ore

All mined ore will be placed on the existing waste pile, remucked into 30 tonne articulated off-highway haul trucks and hauled 6 km over the Deer Cove gravel road to a temporary ore transfer stockpile area located about 500 m from the Ming's Bight paved road (Figure 2). From here the ore will be immediately reloaded into 30 tonne highway haul trucks and hauled approximately 48 km to the Nugget Pond mill. It will be necessary to handle the ore in two trucking stages due to the conditions of the Deer Cove road which will require the use of the off-highway haul trucks.

Immediately upon completion of all trucking this temporary stockpile area will be graded to its original level.

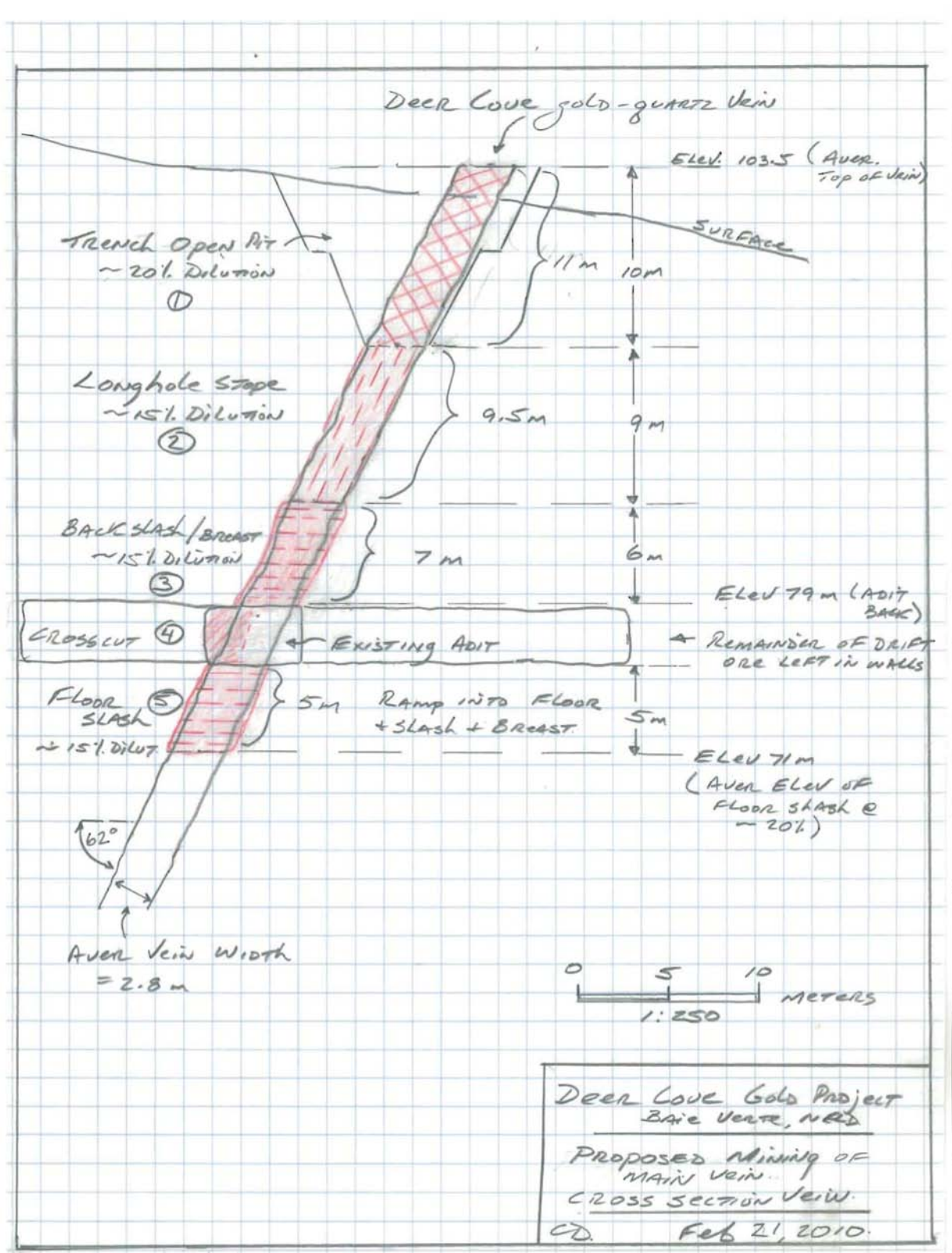


Figure 6 Proposed Mining Layout for the Deer Cove Gold-quartz Vein (1:250)

2.5.3 Milling of Ore

On March 2, 2010 Tenacity signed a formal Toll Milling Agreement with Rambler Metals & Mining Ltd., the owners of the Nugget Pond gold mill for the processing of ore; this ore will be derived from the Deer Cove and Stog 'er Tight gold deposits. This mill is fully permitted and operational and will be responsible for all processing and tailings disposal.

The Nugget Pond mill was built by Richmond Mines Ltd. in 1996 with first gold from the Nugget Pond gold deposit poured in March 1997. From March 1997 to August 2004 Richmond milled a total of 838,881 tons of ore with an average grade of 0.364 oz Au/t (304,976 ounces of gold) from both the Nugget Pond and Hammerdown gold deposits. A total of 301,220 tons were trucked from Hammerdown to Nugget Pond a distance of 136 km.

The mill was bought by Crew Gold Corp. in late 2006 and from February 2007 to May 2009 Crew shipped gold ore from Greenland to Goodyears Cove near Springdale. From there it was trucked by 30 tonne haul trucks a road distance of 135 km to the mill. The operation closed in May 2009.

During May 2009 Crew sold the milling operation to Rambler Metals & Mining Ltd. From June to December 2009 the mill processed ore at approximately 500 tonnes/day from the Pine Cove gold deposit owned by Anaconda Mining Inc. This deposit is located several kms south of the Deer Cove deposit.

The mill has a rated capacity of 450 tonne per day and has consistently yielded a 97-98% gold recovery on these four separate and different gold deposits. Dore gold bars are produced at the mill site in a processing facility, which includes crushing, grinding, leaching, gold recovery using CIP (carbon-in-pulp) technology and cyanide detoxification using the INCO SO₂ process. A leading edge computerized process control system assists mill operators for both production and environmental control.

Tailings disposal and wastewater control are the key environmental issues for the Nugget Pond mill. The tailings are subject to the INCO SO₂ air destruction process for cyanide destruction prior to being released to the tailings pond where they are submerged; therefore acid mine drainage is not an issue. There is a large capacity remaining in the tailings pond to allow for several more years of mill processing. Environmental sampling is carried out daily at the tailings outflow of water from the environmental control system. Since the start of the mill operation, all samples indicate complete compliance with the Environmental Certificate of Approval for the mill operation. In the recent past Richmond won several environmental awards for operating a very clean, efficient and safe operation, especially the tailings pond and discharge sites.

The Nugget Pond mill is located 54 km by road from the Deer Cove adit site. This includes approximately 18 km of gravel road and 36 km of paved highway. Tenacity

will truck the accumulated gold-ore stockpiles to a yard storage site at the Nugget Pond mill. From here the ore would be processed through the mill over a five to six month period.

2.5.4 Potential Sources of Pollution

Potential sources of pollution during the Operations stage may include:

Water

All water exiting the adit will be directed to a series of sumps where mine drainage water will be settled out prior to entering the existing ditch (Figure 5). An oil-water separator will be installed in these sumps to trap and remove any oily substances from mining equipment.

All mechanical equipment will be inspected regularly to ensure leakage of fuel, hydraulics, oils or other hazardous products does not occur.

Blast residues have the potential to be contaminants through ammonia by-products, which can be toxic to aquatic fauna. All such contaminants will exit the adit in water where it will be captured and passed through a series of sumps. Any ammonia residues will be dealt with according to pertaining regulations. All water will follow the 100 m long drainage ditch and pass through a siltation curtain at the end of the ditch prior to flowing over the end of the waste pile and then through bog vegetation before draining into Deer Cove pond. If necessary several ditch dams will be constructed to slow the flow of discharge water over the waste pile.

As required, standard mitigation methods, such as on-site drainage ditch channels, collection sumps-catchment basins will be used to control silt and sediment, prevent the introduction of contaminants and maintain the water quality in the watershed.

Noise

The Deer Cove adit site is 4.2 km from any homes in Ming's Bight. Equipment noise and truck travel will be attenuated by the surrounding forest growth and rolling topography. Noise is not expected to be a concern for residents of Ming's Bight or wildlife in the area. Most blasting at the adit will be underground; such noise effects on wildlife are not expected to be a significant event.

Air Emissions

All company and contractor vehicles and equipment are required to be in good and safe operating conditions.

Dust

During ore haulage and transportation of the ore from the adit along the existing gravel access road to the Ming's Bight paved highway, dust and fine material have the potential to get into ponds and streams near the road. The current access road passes adjacent to and within 25 to 30 m of approximately a 50 m length of the drinking water supply pond for Ming's Bight. If necessary, dust will be controlled here by the application of water to the road. The ore haulage trucks will be hauling damp rock in large pieces (generally greater than 4-6") so dust is not anticipated to be a concern from the Ming's Bight highway to the Nugget Pond mill. It is anticipated that the ore will be hauled over a three to four week period.

Fuel and Lubricants

Mining activity poses a risk for the release of diesel fuel and lubricants from operating equipment. Tenacity will ensure that all contractors and company equipment are inspected daily to ensure no hydrocarbon leaks occur.

During the Operations stage an authorized diesel fuel storage tank will be established within a few hundred metres of the adit. This fuel tank will be an approved double walled container with a self-contained holding berm to prevent potential leaks. This fuel tank will only be filled/serviced by an authorized fuel distributor in Baie Verte. Several emergency oil spill kits will be placed near the fuel tank and near all operating equipment. Spill kits will be placed at the ore transfer stockpile site as well as on all vehicles on the property.

Used oils and lubricants will be contained in proper bins and disposed of with a local, licenced waste oil handler.

Sewage

Sewage will be controlled by an on-site portable facility ('port-a-potty' type unit) during the Operations stage. The holding tank will be emptied by a pump truck on a regular basis and disposed of in an appropriate manner. There will be no dry-change rooms on site and hence no showers requiring grey water disposal.

Waste & garbage

All solid waste (wood, steel, etc.) and small garbage will be collected and hauled to an existing local municipal landfill facility, with permission of the operator, on a regular basis. Any food or organic garbage onsite will be held in animal-proof containers to prevent attracting wildlife. All such foods and scraps will be removed daily.

2.5.5 Potential Resource Conflicts

Potential sources of resource conflict during the Operations stage may include:

Wildlife

No wildlife conflicts are anticipated. While some wild life has been observed in the area very few sightings or signs have been observed around the Deer Cove adit. Some moose, rabbit, fox and squirrel and small game birds have been observed from the access road. Eagles and hawks are known along the coast of Baie Verte. Over the past five years there have been no sightings of such birds or their nests anywhere near the adit or Deer Cove pond.

Fish and Fish Habitat

Deer Cove pond occurs within 160 m south of the adit. Fish are not known to occur in either this pond or the neighboring Devils Cove pond. No signs of trout have been observed by Tenacity personnel in Deer Cove pond or its drainage brook. In any case the Operations stage will have minimal ground disturbances and no water body will be altered during this stage. There are no new roads to be built within 200 m of a water body and no new stream crossings to be built during either the Construction or Operations stages.

Land Use

Very minor amounts of woodcutting by local residents from Ming's Bight occurred in the Deer Cove area over the years. None of this has ever occurred within 3-4 km of the adit site, mainly because of the poor wood quality. No hunting or trout fishing by local residents occurs within a few km of the adit. Any such possible future activities will not be affected by the proposed mining activities.

Water Resources

Water use conflicts will not occur as there are no other users in the project area. All water requirements for the mining are estimated at less than 2 to 3 gallons a minute and all such water will be recycled from the existing groundwater flowing out the adit. Domestic wash water will be piped and taken from groundwater derived from the existing drill holes in the adit. Bottled water will be used for drinking water.

2.6 RECLAMATION

Remediation and reclamation of the mined areas and waste stockpile will begin immediately upon completion of the mining operation, estimated to around September 15, 2010. This reclamation work is estimated to take three to four weeks and should be complete by mid-October 2010. The cost for this reclamation work will be posted as a bond before Construction begins, as is required under the Mining Act.

2.6.1 Rehabilitation

Environmental disturbances will be kept to a minimum during both the Construction and Operation phases. Steps to be taken in this regard will include the following:

- Any surface and vegetation disturbance will be strictly limited to the smallest area possible.
- Topsoil or overburden-tills and waste rock will be carefully removed only when necessary and carefully stockpiled in separate areas for later replacement and rehabilitation work.
- Any surface disturbances will be stabilized to limit erosion and promote natural revegetation.
- Natural revegetation of disturbed areas will be utilized.
- Tenacity will incorporate environmental measures in all contract work agreements and ensure all contractors abide by these rules and all environmental regulations set by Tenacity and all government regulatory agencies/

2.6.2 Water Testing

During 2009 Tenacity engaged Jacques Whitford & Associates (now Stantec) to set up an independent water quality sampling program in the Deer Cove Pond area. Stantec has now collected two sets of water samples during September and December 2009 and the results, which show very good water quality, are summarized in Tables 1 and 2, attached. Three collection stations have been established to collect drainage water from the adit at the edge of the waste stockpile, from Devils Cove brook prior to entering Deer Cove pond and at the downstream discharge from Deer Cove pond. Another set of samples will be collected in May-June 2010 prior to any construction or mining activities in order to establish a good baseline control. The frequency and location of future samples will be determined by the applicable regulations (MMER) and the Certificate of Approval for the project.

2.6.3 Potential ARD (Acid Rock Drainage) Testing.

Under the direction of Stantec a series of 11 rock samples were collected in November 2009 for potential acid rock generation from the adit and waste dump. These samples include 'ore' grade quartz vein samples, adjacent wall rocks from the underground adit and a series of samples across the waste stockpile. These 11 samples will be analyzed for 'acid based accounting' (ABA), bulk and trace elements and whole rock analysis; the results will provide an indication of the rocks net acid consuming ability and potential for generating acid mine water.

During the mining operations additional ABA rock testing will be conducted under the direction of Stantec on a larger number of samples to confirm the rocks net acid consuming ability. If a net acid production is detected then a reclamation plan specific to this situation will be developed by Stantec in consultation with the regulatory agencies having jurisdiction.

Visually the host wall rocks (weakly carbonate altered basalts and gabbros) contain none to a trace of fine grained pyrite; no acid rock generated water is expected. In addition, the water quality program conducted to date has shown very good water quality flowing from the historical underground workings, waste and low grade ore

stockpiles. The water samples indicate that pH is normal with no elevated metals concentrations considered consistent with ARD.

2.6.2 Adit & Stope Closure and Reclamation

Once mining is complete Tenacity will immediately begin to back fill the mined section of the adit with waste rock from the waste stockpile. Following this the open stope and trench-open pit will be back filled from surface with waste rock generated from the open pit and the waste stockpile. The back filled open pit will be graded and sloped to conform to the existing topography. The temporary haul road to the open pit will be reclaimed and graded. The area of the open pit and haul road will be covered with reclaimed topsoil from the topsoil stockpile and allowed to naturally revegetate.

The waste stockpile will be graded to conform to topography and allowed to revegetate.

This reclamation work will be done in consultation with Stantec. The work is expected to take three to four weeks.

2.7 OCCUPATIONS

The Deer Cove mining process will employ approximately 19 people for a six to eight week period on two ten hour shifts per day. The open pit drilling and blasting and all rock hauling will be contracted out to local independent contractors. Required personnel are listed in Table 1 below. Other services such as carpenters, electrician, additional laborers, etc. will be on an as-needed basis and all will be employed from the Baie Verte region.

Table 1 Occupations Required for the Deer Cove Mining Operation

Occupation	Number Required	National Occupation Classification
Manager-Geologist	1	0811
Mining Supervisor	1	8221
Miners (Drillers, blasters, muckers)	6	8231
Mechanic	1	7312
Geological-surveyor technician	1	2212
Laborer	1	8411
Ore haul contractors	8	8231
Total	19	

These jobs are in addition to the approximately 20 people employed at the Nugget Pond mill where the ore will be processed.

The Manager-Geologist and geological surveyor technician positions will be supplied by Tenacity. All mining positions including the mine supervisor, miners, mechanic and laborer will be local Baie Verte personnel with extensive work experience as narrow vein miners. These positions will be on a contract basis; personnel will be hired based on their present health conditions and length of underground experience. All positions

are open to both male and female. The ore haul contractors will involve up to four haul trucks on two shifts for up to four to six weeks duration; this work will be contracted out to one of the two trucking contractors in the Baie Verte region. Tenacity supports employment equity and diversity opportunities and will require the same from contractors where possible.

2.8 Project-Related Documents

There are no relevant environmental documents or studies related to the Deer Cove gold deposit or the immediate area.

3 APPROVAL OF UNDERTAKING

The following authorizations will be required for the Deer Cove Undertaking.

Table 2 Permits and Approvals Required for the Deer Cove Project Undertaking

Permit, Approval or Authorization	Issuing Agency
Mining Lease	Dept. Natural Resources (Mineral Lands)
Release from Environmental Assessment	Minister of Environment & Conservation
Certificate of Approval for Construction	DOEC-Pollution Prevention Division
Cert. of Approval to Establish a Water Supply and Sewage	DOEC-Water Resources Manage. Division
Water Use Authorization	DOEC-Water Resources Manage. Division
Blasters Safety Certificate ¹	Dept. Government Services
Water Discharge drainage	DOEC-Water Resources
Approval for Storing & Handling Fuel	Dept. Government Services
Fuel Tank Registration	Dept. Government Services
Fire, Life & Safety	Dept. Government Services
Operating Permit & Permit to Burn	NL Dept. Natural Resources(Forestry)
Temporary Magazine License ¹	Govt. Service Centre
Blasting Magazine License ¹	Govt. Service Centre
Approval for Waste Disposal	Town of Ming's Bight or Baie Verte
Permit to Occupy Crown Lands	DOEC-Regional Lands Manager
Certificate of Approval for Operation of a Mine ²	Dept. Natural Resources (Mineral Lands)

Notes:

1 Blasting Cert. and Magazine licenses will be obtained by the drilling & blasting contractor.

2 The Certificate of Approval for Operation of a Mine requires the submission by Tenacity of a Development Plan, a Closure Plan and Financial Security to be posted.

4 SCHEDULE

Construction is scheduled to begin in early June, 2010 and mining operations of the vein immediately after construction completion or approximately July 1, 2010. The mining Operations stage would take six to eight weeks and is scheduled for completion before mid-September, 2010. These dates are during the optimal weather conditions and will assure the best working conditions for personnel and equipment.

Reclamation work would begin in mid-September with completion scheduled for mid-October, 2010.

5 FUNDING

Tenacity will wholly finance the proposed Undertaking; financing will be in place by mid-May, 2010. There is no requirement for a loan or grant from any government agency

6 SUBMISSION

March 9, 2010

Date



Name: Charles Dearin, P. Geo.
Title: President

Attachments: Tables 1 and 2: Water Quality Data

TABLE 1: INORGANIC CHEMISTRY ANALYTICAL RESULTS
2009 WATER QUALITY MONITORING, DEER COVE MINE, BAIE VERTE, NL

Parameter	RDL	Deer Cove Pond Inflow September 17, 2009	Deer Cove Pond Inflow December 5, 2009	Deer Cove Pond Outflow September 17, 2009	Deer Cove Pond Outflow December 5, 2009	Effluent Stream September 17, 2009	Effluent Stream December 5, 2009	Comparison Criteria	
								FWAL	MMER
Total Alkalinity	5	43	38	43	38	170	120	-	-
Total Acidity	5	<	<	<	<	<	<	-	-
Sulphate	2	<	<	<	<	12	5	-	-
Calcium	0.1	8.4	7.7	9.2	9.0	58	44	-	-
Dissolved Chloride	1	9	9	6	8	11	10	-	-
Colour ₍₂₎	5 - 50	22	25	36	56	19	35	-	-
Magnesium	0.1	6.6	5.2	4.7	4.6	8.4	6.6	-	-
Nitrate & Nitrite	0.05	0.06	0.12	<	0.08	<	0.08	13	-
Nitrite	0.01	<	<	<	<	<	<	197	-
Nitrogen (ammonia)	0.05	<	<	<	<	<	<	pH and temp dependent	-
Orthophosphate (P)	0.01	<	<	<	<	4.2	<	-	-
Phosphorous	0.1	<	<	<	<	<	<	50% over baseline	-
pH (laboratory)	N/A	7.60	7.37	7.62	7.17	8.04	8.01	6.5 - 9	6.0
Potassium	0.1	0.3	0.4	0.2	0.4	0.6	0.5	-	-
Reactive Silica	0.5	1.7	2.1	1.8	2.3	7.3	6.8	-	-
Sodium	0.1	6.0	6.3	4.8	5.3	8.6	7.7	-	-
Sulphur	-	0.6	-	0.5	-	3.6	-	-	-
Total Suspended Solids ₍₂₎	1 - 2	<	<	<	<	<	<	See note	30
Turbidity ₍₃₎	0.1	0.4	0.4	0.3	0.2	0.5	0.3	See note	-
Hardness (as CaCO ₃) ₍₄₎	1	48	40	43	42	180	140	-	-
Nitrate (calculated) ₍₅₎	0.5	0.06	0.12	<	0.08	<	0.08	-	-
Total Dissolved Solids	1	58	54	53	52	206	155	-	-

Notes:

Analysis completed by Maxxam Analytics Inc., Bedford, NS

FWAL = Canadian Council of Ministers of the Environment (CCME) Canadian Water Quality Guidelines for the Protection of Freshwater Aquatic Life (FWAL 2007, Update 7.1)

MMER = Schedule 4 Metal Mining Effluent Regulations Authorized Limits of Deleterious Substances

(1) RDL for colour: <50 TCU RDL = 5 TCU; >50 TCU RDL = 30 TCU; ranges up to 50 TCU and proportional to the dilution factor

(2) Total Suspended Solids: 25 mg/L increase when background is between 25 and 250 mg/L, but <10% increase when background is >250 mg/L RDL = 1 mg/L for samples of 500 mL, 2 mg/L for samples < 500 mL

(3) Turbidity
 - clear flow: 8 NTUs > background
 - high flow or turbid waters: 8 NTUs > background <80 NTUs; <10% if background > 80 NTUs

(4) Hardness determined using calcium and magnesium analytical results

(5) Nitrate determined using nitrite + nitrate analytical results

(6) The sample was decanted due to turbidity

RDL = Reportable Detection Limit

0.0 = above FWAL or MMER criteria

- = Not analyzed/No criteria

< = Parameter below detection limit

TABLE 2: METALS ANALYTICAL RESULTS (ug/L)

2009 WATER QUALITY MONITORING, DEER COVE MINE, BAIE VERTE, NL

Parameter	RDL	Deer Cove Pond Inflow September 17, 2009	Deer Cove Pond Inflow December 5, 2009	Deer Cove Pond Outflow September 17, 2009	Deer Cove Pond Outflow December 5, 2009	Effluent Stream September 17, 2009	Effluent Stream December 5, 2009	Comparison Criteria	
								FWAL	MMER
Aluminum (Al)	10	24	45	43	51	23	50	5 ⁽¹⁾	-
Antimony (Sb)	2	<	<	<	<	<	<	-	-
Arsenic (As)	2	2	3	3	2	23	20	5.0	1,000
Barium (Ba)	5	<	<	<	<	6	<	-	-
Beryllium (Be)	2	<	<	<	<	<	<	-	-
Bismuth (Bi)	2	<	<	<	<	<	<	-	-
Boron (B)	5	12	11	8	7	25	19	-	-
Cadmium (Cd)	0.3	<	<	<	<	<	<	0.017 ⁽²⁾	-
Chromium (Total) (Cr)	2	<	<	<	2	<	<	-	-
Cobalt (Co)	1	<	<	<	<	<	<	-	-
Copper (Cu)	2	<	9	<	4	5	9	2 ⁽³⁾	600
Iron (Fe)	50-500	<	<	<	<	<	<	300	-
Lead (Pb)	0.5	<	1.3	<	0.7	<	0.5	1 ⁽⁴⁾	400
Manganese (Mn)	2	4	4	8	4	10	4	-	-
Mercury (Hg)	0.013	<	<	<	<	<	<	0.026	-
Molybdenum (Mo)	2	<	<	<	<	<	<	73	-
Nickel (Ni)	2	3	3	3	3	<	<	25 ⁽⁵⁾	1,000
Selenium (Se)	2	<	<	<	<	<	<	1.0	-
Silver (Ag)	0.5	<	<	<	<	<	<	0.1	-
Strontium (Sr)	5	13	12	12	11	90	64	-	-
Thallium (Tl)	0.1	<	<	<	<	<	<	0.8	-
Tin (Sn)	2	<	<	<	<	<	<	-	-
Titanium (Ti)	2	<	<	<	<	<	<	-	-
Uranium (U)	0.1	<	<	<	<	0.2	0.1	-	-
Vanadium (V)	2	<	<	<	<	<	<	-	-
Zinc (Zn)	5	<	15	5	9	6	10	30	1,000

Notes:

Analysis completed by Maxxam Analytics Inc., Bedford, NS

FWAL = Canadian Council of Ministers of the Environment (CCME) Canadian Water Quality Guidelines for the Protection of Freshwater Aquatic Life (FWAL 2007, Update 7.1)

MMER = Schedule 4 Metal Mining Effluent Regulations Authorized Limits of Deleterious Substances

- (1) Aluminum guideline = 5 ug/L at pH < 6.5
= 100 ug/L at pH ≥ 6.5
- (2) Cadmium guideline = 10^[(0.88(log hardness))²]
- (3) Copper guideline = 2 ug/L at [CaCO₃] = 0-120 mg/L
= 3 ug/L at [CaCO₃] = 120-180 mg/L
= 4 ug/L at [CaCO₃] >180 mg/L
- (4) Lead guideline = 1 ug/L at [CaCO₃] = 0-60 mg/L
= 2 ug/L at [CaCO₃] = 60-120 mg/L
= 4 ug/L at [CaCO₃] = 120-180 mg/L
= 7 ug/L at [CaCO₃] >180 mg/L
- (5) Nickel guideline = 25 ug/L at [CaCO₃] = 0-60 mg/L
= 65 ug/L at [CaCO₃] = 60-120 mg/L
= 110 ug/L at [CaCO₃] = 120-180 mg/L
= 150 ug/L at [CaCO₃] >180 mg/L

0.0 = above FWAL or MMER criteria
- = Not analyzed/No criteria
< = Parameter below detection limit

RDL = Reportable Detection Limit