

**WATER USE LICENCE/PERMIT
Industrial (Mineral Exploration)**

Pursuant to the *Water Resources Act*, SNL 2002 cW-4.01

Date of Issuance: NOVEMBER 16, 2017

No: WUL/P-17-9477
File: 517

Licensee/Holder: Ferrum Resources Inc.
PO Box 422, Station C
Happy Valley-Goose Bay, NL A0P 1C0

Attention: Craig Coady

Re: Water Withdrawal and Use of Bodies of Water (Cape Caribou Property)


The Minister of Municipal Affairs and Environment (the "Minister") hereby grants a non-exclusive water right to: **Ferrum Resources Inc.** (the "Licensee/Holder") to withdraw water from and use of bodies of water within the boundary of the property, as indicated in the map for exploration approval #E170288 in relation to the Licensee/Holder's mineral exploration project (Cape Caribou Property). This non-exclusive water right is granted in reference to the application received on November 10, 2017.

This Licence/Permit is subject to the terms and conditions, reservations, exceptions, and provisions stated herein and the *Water Resources Act* and regulations thereunder. Appendices A and B and the map for exploration approval (attached) form part and parcel of this Licence/Permit.

This Licence/Permit does not release the Licensee/Holder from the obligation to obtain appropriate approvals, permits or licences from other concerned municipal, provincial and federal agencies.

The Licensee/Holder shall complete and return the attached Notification of Acceptance of Water Use Licence/Permit (attached) to the Water Rights, Investigations, and Modelling Section of the Department of Municipal Affairs and Environment within thirty (30) days of receipt of this Licence/Permit.

Failure to comply with the terms and conditions, reservations, exceptions, and provisions set out herein will render this Licence/Permit null and void, place the Licensee/Holder and/or its agents in violation of the *Water Resources Act*, and cause the Licensee/Holder to be responsible for any and all remedial measures which may be prescribed by the Department of Municipal Affairs and Environment.



MINISTER

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR
DEPARTMENT OF MUNICIPAL AFFAIRS AND ENVIRONMENT

No: WUL/P-17-9477
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APPENDIX A
TERMS AND CONDITIONS FOR WATER USE LICENCE/PERMIT

The Minister of Municipal Affairs and Environment (the "Minister") hereby grants a non-exclusive water right to: **Ferrum Resources Inc.** (the "Licensee/Holder") to withdraw water from and use of bodies of water within the boundary of the property, as indicated in the map for exploration approval #E170288 in relation to the Licensee/Holder's mineral exploration project (Cape Caribou Property). This non-exclusive water right is granted in reference to the application received on November 10, 2017.

1. Ownership of water rights remains with the Crown and is not transferred. This Water Use Licence/Permit only provides permission for the Licensee/Holder to withdraw and use water for the purpose indicated in this Licence/Permit.
2. The non-exclusive rights and privileges hereby demised by this Licence/Permit shall not be sold, assigned, transferred, leased, mortgaged, sublet or otherwise alienated by the Licensee/Holder.
3. The Licensee/Holder acknowledges and agrees that this Licence/Permit does not grant any interest in land.
4. This Licence/Permit shall expire on November 10, 2018 or earlier if suspended or modified or cancelled by the Minister due to reasons that include, but not limited to, non-compliance with the Water Resources Act and terms and conditions, reservations, exceptions, and provisions; lack of utilization of authorized water for the designated purpose or prompt reporting pursuant to this Licence/Permit. Also, this Licence/Permit may be renewed by the Minister for such renewal term as the Minister deems appropriate, on such terms and conditions as the Minister considers appropriate and in the public interest, provided the Licensee/Holder applies for renewal at least hundred and eighty (180) days before the expiry of this Licence/Permit.
5. The designated purpose of the water withdrawal and use is Industrial/Mineral Exploration.
6. The estimated annual water withdrawal from the said bodies of water shall not exceed 2,190 cubic meter (or 6,000 litres daily), subject to water availability without changing the hydraulic characteristics of or causing impact on fish and fish habitat in the said bodies of water or impact on other existing water users. The Licensee/Holder shall not at any time withdraw and use amounts of water in excess of the need for the Licensee/Holder's mineral exploration activities, irrespective of the amount of water authorized.
7. In case of drilling on the ice cover of the said bodies of water, the Licensee/Holder shall ensure that the ice is sufficiently thick and structurally sound and able to safely support the drilling rig and all associated equipment on the ice surface. The ice surface must be inspected daily as long as the equipment is on the ice and a written record of these inspections must be kept in a suitable log book. More frequent inspections are required when there are sudden temperature changes.
8. The Licensee/Holder shall not at any time impair, pollute or cause to be polluted the quality of water in the said bodies of water or any nearby body of water. Also, this Licence/Permit shall not be interpreted as granting any rights to cause adverse effect(s) on water in or outside the mineral exploration activities areas and all operations must be carried out in a manner that prevents damage to land, vegetation, and bodies of water. The Water Resources Management Division of this Department must be informed if the mineral exploration activities have a potential to impair water quality of the said bodies of water or any nearby body of water. In addition, any and all waste material that may result from the mineral exploration activities must be removed from the mineral exploration activities areas and disposed at a site approved by the regional Government Service Centre of the Department of Service NL. This Department and Department of Service NL may require samples to be submitted for testing and analysis.
9. Water pumped or discharged from the mineral exploration activities, or any runoff or effluent directed out of the mineral exploration activities areas, must have silt and turbidity removed by settling ponds, filtration, or other suitable treatment before discharging to any body of water. Effluent discharged into receiving waters must comply with the Environmental Control Water and Sewage Regulations, 2003.
10. Used drilling mud and cuttings must be collected in a closed system of settling tanks and disposed of at a site approved by the regional Government Service Centre of the Department of Service NL. This site must not be within 100 metres of any body of water. The water in the system must be recycled.
11. The Licensee/Holder shall keep records for water withdrawals and uses and other relevant information and complete and file a form following the format of Appendix B with the Water Rights, Investigations, and Modelling Section of this Department

on or before January 31st of each year during the mineral exploration activities. Also, the Licensee/Holder may be required to monitor, report and assess water quality and quantity of the water available and supplied to the Licensee/Holder's mineral exploration activities in such manner as the Minister considers necessary such as flowmeter(s) for the said bodies of water.

12. The Licensee/Holder shall not construct any systems or works, make changes in the purpose, rates and amounts of water specified in this Licence/Permit, or divert the course or alter the physical features of the said bodies of water or any nearby body of water without the prior written permission of the Minister.
13. The Licensee/Holder and its agent(s), subcontractor(s), and consultant(s) shall keep all systems, equipment, works and vehicles used for the mineral exploration activities in clean and good condition and repair, free of oil leaks, or other harmful substances that could impair water quality of any body of water in accordance with all laws, by-laws, directions, rules and regulations of any governmental authority. The Licensee/Holder or its agent(s), subcontractor(s), or consultant(s) shall notify the Minister immediately if any problem arises which may affect the systems, equipment and works, endanger public safety and/or the environment or adversely affect other existing users and/or any body of water either in or outside the mineral exploration activities areas. Also, the Licensee/Holder shall restore all areas that may be affected by mineral exploration activities to a state that resembles local natural conditions. Further remedial measures to mitigate environmental impacts on water resources can and will be specified, if necessary in the opinion of this Department. The Licensee/Holder and its agent (s), subcontractor(s), and consultant(s) shall be responsible for all damages suffered by the Minister and Government resulting from any defect in the systems, equipment, works, or operational deficiencies/inadequacies.
14. In case of drilling on the ice cover of the said bodies of water, a dyke or other suitable device must be placed around the immediate perimeter of the ice hole and around the perimeter of the drilling area to prevent any fluid, fuel or other foreign substance from entering the water or spreading across the ice surface.
15. When possible, drilling should take place using water alone. If this is not possible, then only environmentally approved drilling fluids shall be used and a mud recovery system must be used. Also, All fuels and lubricants must be stored in an approved manner on land, no closer than 30 metres to any body of water. Only sufficient fuel for one refueling shall be brought on the ice at one time.
16. This Licence/Permit is subject to the Water Use Charges Regulations, NLR 60/16 under the Water Resources Act, 2002 and the Licensee/Holder shall upon receipt of an invoice stating the amount owing for water use charges, pay to the Minister the full amount within thirty (30) days of the receipt of the said invoice and if imposed by provincial legislation, fees, incentives, royalties or subsidies for water use.
17. The Licensee/Holder and its agent(s), subcontractor(s), and consultant(s) are responsible for reporting any environmental problem encountered in connection with the said bodies of water or any nearby body of water to the Water Resources Management Division and environmental monitors within 24 hours. This includes, but is not limited to, any spillage of fuel, lubricant, drilling mud or any other material, siltation of water or depletion of any source of water used for any purpose in connection with the mineral exploration activities.
18. The employees of this Department, authorized by the Minister, may at all reasonable times during the term created by this Licence/Permit enter into the mineral exploration activities areas and the Licensee/Holder's designated place of business to inspect the systems, equipment, works, records, statements, and accounts, and shall be entitled to copy such information as may be required by the Minister in relation to this Licence/Permit and may exercise all other powers of inspection as provided for in the Water Resources Act, 2002.
19. The Licensee/Holder and its agent(s), subcontractor(s), and consultant(s) indemnify and hold the Minister and Government harmless against any and all liabilities, losses, claims, demands, damages or expenses including legal expenses of any nature whatsoever whether arising in tort, contract, statute, trust or otherwise resulting directly or indirectly from granting this Licence/Permit, systems, equipment and works in or outside the mineral exploration activities areas, or any act or omission of the Licensee/Holder in or outside the mineral exploration activities areas, or arising out of a breach or non-performance of any of the terms and conditions, and provisions of this Licence/Permit by the Licensee/Holder or its agent(s), subcontractor (s), or consultant(s).
20. If the Licensee/Permit Holder or its agent(s), subcontractor(s), or consultant(s) fails to perform, fulfil, or observe any of the terms and conditions, or provisions of this Licence/Permit and/or Ministerial orders and guidelines, as determined by this Department, the Minister may, after providing ten (10) day notice to the Licensee/Permit Holder, amend, modify, suspend or cancel this Licence/Permit in accordance with the Water Resources Act, 2002.
21. Should any provision of this Licence/Permit be unenforceable, it shall be considered separate and severable from the remaining provisions of this Licence/Permit which shall remain in force and be binding as though the provision had not been included.
22. This Licence/Permit is subject to all provisions of the Water Resources Act, 2002 and any regulations in effect either at the date of this Licence/Permit or hereafter made pursuant thereto or any other relevant legislation enacted by the Province of


Newfoundland and Labrador in the future.

23. This Licence/Permit shall be construed and interpreted in accordance with all applicable laws of the Province of Newfoundland and Labrador.
24. This Licence/Permit shall remain in force and effect until such time as the Mineral Lands Division Approval is valid or until such time as it is revoked by the Minister of Municipal Affairs and Environment of the Province of Newfoundland and Labrador or his successor in office for failure to comply with one or more of the provisions of this Licence/Permit (as amended from time to time) or with the provisions of the Water Resources Act, SNL 2002 c.W-4.01 and any regulations in effect thereunder from time to time and any other relevant legislation enacted by the Province of Newfoundland and Labrador in the future.

All notices to be given pursuant to the terms and conditions of this Licence/Permit shall be given in writing and delivered by facsimile with auto confirmation or registered mail. If a notice is delivered by facsimile, it is deemed to have been received on the day it was sent if that day is a normal business day, if not, it is deemed to have been received on the next normal business day. If a notice is sent by registered mail, it is deemed to have been received three days after the day it was mailed. The address of the Licensee/Holder is:

Ferrum Resources Inc.
PO Box 422, Station C
Happy Valley-Goose Bay, NL A0P 1C0

The address and facsimile number of the Department of Municipal Affairs and Environment are:

Water Rights, Investigations, and Modelling Section
Department of Municipal Affairs and Environment
PO Box 8700
St. John's NL A1B 4J6
(709) 729-0320 

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR
DEPARTMENT OF MUNICIPAL AFFAIRS AND ENVIRONMENT
APPENDIX B

Report to Department of Municipal Affairs and Environment

To: Water Rights, Investigations, and Modelling Section
Water Resources Management Division
Department of Municipal Affairs and Environment
PO Box 8700
St. John's NL A1B 4J6

No: WUL/P-17-9477
File: 517
Authorized: NOVEMBER 16, 2017

Re: *Water Withdrawal and Use of Bodies of Water (Cape Caribou Property)*

This report must be completed and filed on or before January 31st of each year or upon the completion of activities for a temporary period. Provide the information required below:

1. Has the Licensee/Holder used water during last year? Yes No
If no, explain (use extra sheet to provide more information, if any).

2. Does the Licensee/Holder wish to continue the non-exclusive water right? Yes No
If no, explain (use extra sheet to provide more information, if any).

3. Has the Licensee/Holder exceeded the estimated maximum daily water withdrawal of that indicated in Appendix A? Yes No
If yes, explain in the space below (use extra sheet to provide more information, if any).

In the table below, state the monthly water uses during last year or a temporary period and attach spreadsheet for daily water uses along with water quality report(s) as may be applicable:

Month	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Use in litres or cubic meters													

4. Is there any other matter on which the Licensee/Holder wishes to inform the Department of Municipal Affairs and Environment regarding this Licence/Permit and its terms and conditions? Yes No
If yes, explain (use extra sheet to provide more information, if any).

I/We acknowledge that the information contained in this report is true and correct.

Ferrum Resources Inc.
PO Box 422, Station C
Happy Valley-Goose Bay, NL A0P 1C0

Signature: _____

Name/Title: _____

Date: _____

- cc: Amir Ali Khan, Ph.D., P.Eng.
Manager, Water Rights, Investigations and Modelling Section
Water Resources Management Division
Department of Municipal Affairs and Environment
4th Floor, Confederation Building, West Block
P.O. Box 8700, St. John's NL Canada A1B4J6
akhan@gov.nl.ca
- cc: Brent Keeping
Environmental Scientist
Environment Assessment Division
Municipal Affairs and Environment
BrentKeeping2@gov.nl.ca
- cc: File Copy for Binder
- cc: Mark Bugden
Senior Analyst
Executive Council - Labrador and Aboriginal Affairs
Aboriginal Affairs
mbugden@gov.nl.ca
- cc: Michelle Watkins
Director, Labrador Affairs Office, Executive Council - Labrador and Aboriginal Affairs
Labrador Affairs
Happy Valley - Goose Bay/2 Hillcrest Road
michellewatkins@gov.nl.ca
- cc: Mr. Robert Locke
Manager of Operations and Environmental Protection, GSC - Mount Pearl, Service NL
P.O. Box 8700
St. John's, NL A1B 4J6
rlocke@gov.nl.ca
- cc: Ms. Paula Reid
Environmental Analyst
Innu Nation Environment Office
P.O. Box 119
Sheshatshiu, NL A0P 1M0
preid@innu.ca
- cc: Ms. Martha Drake
Provincial Archaeologist, Historic Resources Division
Dept. of Business, Tourism, Culture and Rural Development
P.O. Box 8700
St. John's, NL A1B 4J6
mdrake@gov.nl.ca
- cc: Ms. Heather Rafuse
Exploration Approvals Geologist, Exploration Approvals and Inspections Section
Mineral Lands Division, Department of Natural Resources
50 Elizabeth Avenue, P.O. Box 8700
St. John's, NL A1B 4J6
HeatherRafuse@gov.nl.ca



Government of Newfoundland and Labrador
Department of Municipal Affairs and Environment
Water Resources Management Division

Water Rights, Investigations, and Modelling Section
Water Resources Management Division
Department of Municipal Affairs and Environment
PO Box 8700
St. John's NL A1B 4J6

Date: NOVEMBER 16, 2017
File: 517

NOTIFICATION OF ACCEPTANCE OF WATER USE LICENCE/PERMIT
Water Withdrawal and Use of Bodies of Water (Cape Caribou Property)

Water Use Licence/Permit No. WUL/P-17-9477 issued on NOVEMBER 16, 2017, and valid until November 10, 2018.

As a Licensee/Holder of Water Use Licence/Permit No. WUL/P-17-9477, issued pursuant to the *Water Resources Act*, **Ferrum Resources Inc.** (the "Licensee/Holder"), agrees to accept this Licence/Permit for the stated duration and abide by all terms and conditions, reservations, exceptions and provisions stated therein. The Licensee/Holder acknowledges that failure to abide by the terms and conditions, reservations, exceptions and provisions indicated in Appendices A and B and the map for Exploration Approval (attached) of the Licence/Permit and the *Water Resources Act* will render the Licence/Permit null and void, place the Licensee/Holder and/or their agent(s) in violation of the *Water Resources Act* and regulations thereunder and cause the Licensee/Holder to be responsible for any and all remedial measures which may be prescribed by the Department of Municipal Affairs and Environment.

Signed, sealed, and delivered by
Ferrum Resources Inc.,
in accordance with its rules and
regulations in that behalf
at _____, this _____ day
of _____, 2017 in the presence
of:

Witness

Per: _____
Signing Officer

Seal:

Important: The attached Water Use Licence/Permit is not valid unless the Licensee/Holder completes and returns this notification to the address above within thirty (30) days of receipt.