THE ENVIRONMENT ACT
LOI SUR L'ENVIRONNEMENT

Manitoba

LICENCE

Licence No./Licence n° 2808

Issue Date/Date de délivrance March 28, 2008

In accordance with The Environment Act (C.C.S.M. c. E125)/
Conformément à la Loi sur l'environnement (C.P.L.M. c. E125)

Pursuant to Sections 11(1)/Conformément au Paragraphes 11(1)

THIS LICENCE IS ISSUED TO:/CET LICENCE EST DONNÉ À:

CROWFLIGHT MINERALS INC. ; "the Licencee"

for the construction and operation of a proposed metal mining Development identified as the "Bucko Lake Nickel Project" at a location about 4 kilometres south of the Town of Wabowden, on Mineral Lease ML-031 on Lot 3442 in Group 422 as shown on Director of Surveys Plan 1936, and proposed to be comprised of:

- a 1,000 tonne/day mine/ crusher/mill/ concentrator to produce nickel concentrate as per the Proposal submitted on May 15, 2006, which was subsequently modified through a Notice of Alteration submitted on December 19, 2007, pursuant to Section 14(1) to accommodate the construction and use of a zero discharge land based interim tailings storage facility (ITSF), to be located on land beside Bucko Lake, and operated for a period not exceeding one year, while awaiting the outcome of an application, for federal approval under the federal MMER, to deposit tailings into Bucko Lake;
- a hydraulic backfill plant;
- an existing and licensed 2-cell lined pond for the treatment of underground mine water and mine site surface runoff before being released to Bucko Lake; and
- such other facilities and utilities identified in the Proposal as relating to the operation of the proposed mining Development, subject to the following specifications, limits, terms and conditions:

DEFINITIONS

In this Licence:

"accredited laboratory" means an analytical facility accredited by the Standard Council of Canada (SCC), or accredited by another accrediting agency recognized by Manitoba Conservation to be equivalent to the SCC, or able to demonstrate, upon request, that it has the quality assurance/quality control (QA/QC) procedures in place equivalent to accreditation based on the international standard ISO/IEC 17025, or otherwise approved by the Director;

"AP" means the maximum acid-generation potential, expressed as tonnes of $CaCO_3$ per 1000 tonnes of a material tested, determined in accordance with a static Acid-Base Accounting method satisfactory to the Director;

"approved" means approved by the Director in writing;

"composite sample" means as defined in the MMER;

"contaminated soil" means soil which contains contaminant concentrations in excess of the applicable remediation criteria cited in the CCME's "Canadian Environmental Quality Guidelines" report ISBN 896-997-34-1, update 5.0, 2006, and or any future amendment thereof;

"Director" means an employee of the department appointed as such by the Minister;

"Director of Mines" means the Director of the Mines Branch of the Department of Science, Technology, Energy & Mines;

"effluent" means any treated or untreated mine water released into the environment;

"EEM" means Environmental Effects Monitoring;

"final discharge point", in respect of an effluent release, means an identifiable discharge point of a mine beyond which the Licencee no longer exercises control over the quality of the effluent, which for the purposes of this Licence, is the weir at the outfall from the 2-celled mine water treatment facility, unless any additional discharge point is identified in the course of the operation of this Development;

"grab sample" means a grab sample as defined in the MMER;

"**ITSF**" means the Interim Tailings Storage Facility located, designed and constructed as per the Notice of Alteration submitted by the Licencee to the Director on December 19, 2007;

"**Metal Mining Effluent Regulations**" means the *Metal Mining Effluent Regulations* (SOR/2002-222), or any future amendments thereto, promulgated under the federal *Fisheries Act*;

"MMER" means the federal Metal Mining Effluent Regulations;

"mine" includes all the surface and connected underground workings, overburden, waste rock and ore stockpiles, portal, shaft, headframe, crusher, mill/concentrator, backfill plant, all ancillary buildings, wastewater treatment, impoundment or control facilities, and such other on-site infrastructure as may be located on the mine site and associated with the Development;

"mine site" includes the whole operational or disturbed area of land within the boundaries of those surface rights acquired and held by the Licencee for the operation of the Development, as generally depicted in Appendix 'A' attached to this Licence;

"mine water" means fluids pumped to the surface from underground mine workings or from an open pit, or fluids used to transport tailings, or contaminated runoff or leachate from ore or waste rock stockpiles exposed to precipitation, or polluted mine site runoff, or seepage or runoff losses from tailings deposits stored on the surface of land , or any combination thereof;

"NP" means the maximum neutralizing potential, expressed as tonnes of $CaCO_3$ per 1,000 tonnes of a material tested, determined in accordance with a static Acid-Base Accounting method satisfactory to the Director;

"NPR" means the neutralizing potential ratio as determined from the ratio of NP/AP;

"**ore**" means a mineralized rock containing sufficient mineral value for the purposes of this Development.;

"potentially acid-generating" means having the potential or uncertain ability to generate acid as indicated by a NPR of 4 or less, until or unless an appropriate alternate NPR cut-off value is determined, to the satisfaction of the Director, through detailed characterizations, evaluations and interpretations, or through kinetic testing, carried out on representative test material by qualified individuals;

"sewage" means sewage as defined in *Manitoba Regulation 83/200* respecting private sewage disposal systems and privies, or any future amendments thereto;

"solid waste" means solid waste as defined in *Manitoba Regulation 150/91* respecting waste disposal grounds, or any future amendments thereto;

"Standard Methods for the Examination of Water and Wastewater" means the most recent edition of Standard Methods for the Examination of Water and Wastewater published jointly by the American Public Health Association, the American Waterworks Association and the Water Environment Federation;

"TMA" means Tailings Management Area;

"tailings" means those granular solids which are discarded as waste material in the process of milling and concentrating commercial minerals present in the milled ore; and

"undiluted" means free of extraneous unpolluted sources of water which could feasibly be prevented from mixing with the mine water or effluent prior to its discharge at a designated final discharge point, or not having water added for the purpose of meeting any effluent quality limits specified in this Licence or in the MMER.

GENERAL TERMS AND CONDITIONS

1. Notwithstanding any of the following limits, terms and conditions specified in this Licence, the Licencee shall, upon the request of the Director:
   (a) sample, monitor, analyze and/or investigate specific areas of concern regarding any segment, component or aspect of pollutant storage, containment, handling, treatment, and disposal or emission systems, for such pollutants or ambient quality, aquatic toxicity, leachate characteristics and discharge or emission rates, for such duration and at such frequencies as may be specified;

(b) determine the environmental impact associated with the release of any pollutant(s) from the Development; or
(c) provide the Director, within such time as may be specified, with such reports, drawings, specifications, analytical data, descriptions of sampling and analytical procedures being used, bioassay data, flow rate measurements and such other information as may from time to time be requested.

2. The Licencee shall, unless otherwise specified in this Licence:
   (a) carry out all preservations and analyses of liquid samples in accordance with the methods prescribed in the "Standard Methods for the Examination of Water and Wastewater" or in accordance with equivalent preservation and analytical methodologies approved by the Director; and
   (b) have all analytical determinations undertaken by an accredited laboratory.

3. The Licencee shall report all the information requested through the provisions of this Licence in a manner and form acceptable to, or otherwise specified by, the Director.

SPECIFICATIONS, LIMITS, TERMS AND CONDITIONS

Respecting Land Use and Construction Activities

4. The Licencee shall restrict surface construction activities related to the proposed Development to only those lands for which the Licencee:
   (a) possesses the surface Rights or a mineral lease; or
   (b) is in possession of applicable work permits or timber cutting permits.

Respecting Financial Assurance

5. The Licencee shall not commence construction of the proposed Development unless the Licencee has first posted with Department of Science, Technology, Energy & Mines:
   (a) a permit bond issued by a surety company licensed to do business in the Province of Manitoba, or
   (b) an irrevocable letter of credit; or
   (c) cash,

   in an amount satisfactory to the Director of Mines, whereby the Licencee would be fully liable for the environmental restoration of any disturbed, developed or polluted areas at the mine site.

Respecting Water Diversion and Use

6. The Licencee shall not commence any well drilling or water diversion activities involving the establishment or use of local wells unless such activities are licensed under *The Water Rights Act.*

7. The Licencee shall construct and maintain the end-of-pipe of the process water intake line in Bucko Lake with a fitted fish screen that conforms to the "Freshwater Intake End-of-Pipe Fish Screen Guideline" published by the Department of Fisheries and Oceans.

Respecting Sewage

8. The Licencee shall, unless otherwise approved under *Manitoba Regulation 83/2003*, or any future amendment thereto, respecting private sewage disposal systems and privies:
   (a) direct all sewage (exclusive of grey water) generated at the mine site into one or more on-site sewage holding tanks designed and installed in compliance with *Manitoba Regulation 83/2003*;
   (b) dispose of any sewage and septage withdrawn from any on-site sewage holding tanks in accordance with *Manitoba Regulation 83/2003*; and
   (c) direct the grey water from the dry to the mill for reuse as a component of the mill's or the backfill plant's over-all water requirements.

Respecting the Construction of the ITSF

9. The Licencee shall, before commencing the construction of the ITSF, submit to the Director, for review and approval:
   (a) the findings of the proposed geotechnical investigations at the proposed site of the ITSF, and how those findings translate into potential worst case rates of seepage losses through the base and dykes of the ITSF; and
   (b) a functional decommissioning plan for the ITSF in the event that federal authorization for the deposition of tailings into Bucko Lake is approved.

Respecting Mine, Mill and ITSF Mine Water and Tailings Solids Management

10. The Licencee shall, upon and after commencing the activity of mining and milling at the mine, manage the mine water and tailings solids such that:
   (a) all net tailings and mine water from the mill/concentrator, which are not required for backfilling underground open stopes, are directed, as proposed, by pipeline to the ITSF site for the proposed purpose of constructing the ITSF for containing the tailings and maintaining the tailings solids in a saturated state;
   (b) no mine water is, at any time released or lost from the ITSF to Bucko Lake;
   (c) excess mine water from the ITSF is directed by pipeline back to the mill as make-up water;
   (d) all net surplus mine water (which cannot be reclaimed to the mill as make-up water) is directed to the surface mine water settling ponds for treatment and release through the final discharge point of the surface settling ponds facility into Bucko Lake (without exceeding the effluent quality limits laid out in the MMER); and
   (e) submit to the Director within 4 months of the date of this Licence, a scaled and updated "as built"site plan of the mine site showing a plan view of labeled features including the mine portal, the mill and concentrator, the boundaries of designated waste rock deposition sites, the surface mine water settling ponds, the final discharge point, the pipeline routes for the transfer of tailings to the ITSF and for the return of excess mine water to the mill relative to the shores of Bucko Lake, and a second scaled plan view showing Bucko Lake and the creek leading from Bucko Lake to the entrance to Rock Island Lake, and the locations of intended water quality monitoring stations.

Respecting the Final Discharge Point and Effluent Quality Restrictions

11. The Licencee shall:
   (a) not discharge, or allow the release of any effluent from the Development into the aqueous environment except through the final discharge point as designated in accordance with the MMER;

12. The Licencee shall not release any effluent from the final discharge point if:
    (a) the quality or toxicity) of the effluent is in non-compliance with the MMER, or
    (b) the effluent quality is resulting in, or is likely to directly or cumulatively result in, a downstream degradation of the water quality, immediately beyond a maximum 10% mixing zone (by volume) within Bucko Lake, relative to the Manitoba *Water Quality Standards, Objectives, and Guidelines* (dated November 22, 2002), and nutrient control strategies and regulations developed by the Water Stewardship Department.

Respecting Final Effluent and Receiving Aqueous Environment Monitoring, Record Keeping and Reporting

13. The Licencee shall, in accordance with the MMER:
    (a) install, operate, maintain and annually calibrate a continuous effluent flow measuring device, at the final discharge point, rated to an accuracy within ± 15%; and
    (b) measure and record each monthly volume (in cubic metres) of effluent released through the final discharge point.

14. The Licencee shall:
    (a) in such a manner, and at such frequencies, as required by the MMER:
        (i) collect sufficient and undiluted composite or grab samples, as the case may be, of effluent being released at the final discharge point, and have each sample analyzed for pH and each deleterious substance and characteristic as laid out in the MMER, including such additional parameters, characteristics and information as may otherwise be requested in writing by the Director; and
        (ii) collect sufficient, undiluted and representative samples of effluent released from the final discharge point at such frequency as required by the MMER, and have each such obtained sample subjected to acute lethality tests and *Daphnia magna* toxicity tests; and
    (b) unless otherwise requested by the Director, collect, at monthly intervals, composite samples of the final effluent, and have these samples analyzed for:
        (i) total phosphorus as P;
        (ii) total dissolved phosphorus as P;
        (iii) ammonia nitrogen as N;
        (iv) nitrate-nitrite nitrogen as N; and
        (v) total Kjeldahl nitrogen as N.

15. The Licencee shall, twice monthly, at approximately two week intervals, collect grab samples of water at the outfall from Bucko Lake, but upstream of the confluence with the receiving stream, and have the collected samples analyzed for all of the parameters required through Clause 14 of this Licence (but excluding the acute lethality, toxicity and the radium 226 tests).

16. The Licencee shall, consistent with the MMER, submit quarterly reports on all the required effluent quality analyses, flow rate measurements, and determinations recorded pursuant to Clauses13, 14 and 15 of this Licence, to the Director, in writing and in electronic MS Word and Excel spreadsheet formats satisfactory to the Director, no later than 45 days after the end of each calendar quarter.

17. The Licencee shall, with respect to each month of production, determine and record:
    (a) the tonnes of ore processed through the mill;

(b) the volume, in cubic metres, of tailings solids that were re-directed as backfill into underground mined out stopes;
(c) the volume of tailings solids that were directed into the ITSF; and
report each of these monthly determinations to the Director in writing and in electronic MS Word and Excel spreadsheet formats satisfactory to the Director, on a quarterly basis at the same time as the quarterly effluent monitoring results are submitted.

18. The Licencee shall, in the course of developing the program for the Environmental Effects Monitoring (EEM) studies required pursuant to the MMER, consult with the Water Stewardship Department for possible additional inclusions or considerations respecting site specific water quality and biological issues, prior to finalizing and undertaking the required EEM studies.

19. The Licencee shall conduct all Environmental Effects Monitoring (EEM) studies, as required through the provisions of the MMER, and provide the Director, as well as the Water Stewardship Department, with a printed copy and electronic copy of each such completed EEM study.

Respecting Air Emissions

20. The Licencee shall:
(a) direct all vented air emissions from the surface rock/ore crushing facility through a baghouse facility;
(b) regularily maintain the operating efficiency of the filter bags in the baghouse facility;
(c) not emit particulate matter from the baghouse facility into the environment whereby the level of particulate matter in the air emitted into the environment exceeds 0.23 grams per dry standard cubic metre calculated at 25 degrees Celsius and 760 millimetres of mercury, corrected to 12 percent carbon dioxide;
d) at least once every 12 months, arrange to have the air emissions released from the baghouse tested by a third party qualified technician for confirming the level of compliance with sub-Clause 20(c) of this Licence, and
(e) submit the findings of the air emission tests to the Director no later than one month after the completion of each annual air emission sampling

Respecting Waste Rock and Contaminated Soil

21. The Licencee shall not use any contaminated soil, or potentially acid-generating rock as a construction material in the surface development of this mine site or at any other off-site location, nor release such material to any other person for off-site use, nor store such rock material on surface.

22. The Licencee shall, with respect to waste rock hoisted to surface for construction or storage purposes:
(a) collect sufficient representative bulked samples once every 10,000 tonnes of waste rock brought to surface, and have the newly collected samples evaluated by certified laboratory for acid generation potential using static acid-base accounting methods unless dynamic testing is warranted; and
(b) submit to the Director the analytical and interpretive laboratory results of the tests carried out on the tested bulk rock samples within two weeks after the data has been provided by the commissioned laboratory to the Licencee.

23. The Licencee shall dispose of any sludges resulting from the clean-out of underground mine water sumps, or from the clean-out of the surface settling ponds, or from the chemical treatment of any mine water, into:
    (a) a secure depository in the Development's underground mine workings; or
    (b) a surface waste disposal ground permitted under *Manitoba Regulation 150/91*, or any future amendment thereto, subject to being appropriately dewatered at the site of the Development to meet the criteria of solid waste as defined in the said regulation and being accepted, in writing, by the operator of the waste disposal ground.

24. The Licencee shall not deposit any garbage or other solid waste into the environment except into a waste disposal ground operating under the authority of a permit issued pursuant to *Manitoba Regulation 150/91*, or any future amendment thereto.

Respecting Recyclable Waste

25. The Licencee shall not deposit bulky metallic wastes, used tires, used oil and other fluid lubricants, and any other class of recyclable waste substances as may be specified by the Director, into the environment except to:
    (a) a facility or infrastructure which accepts such materials for recycling; or
    (b) a waste disposal ground operating under the authority of a permit issued pursuant to *Manitoba Regulation 150/91*, or any future amendment thereto, where these recyclable substances are grouped and kept distinctly segregated from each other and are not buried (unless otherwise specified by the Director) so as to readily facilitate their recycling.

26. The Licencee shall make reasonable efforts to initiate and maintain a recycling program for those substances identified in Clause 25 of this Licence.

Respecting Dangerous Goods or Hazardous Wastes

27. The Licencee shall not establish any petroleum fuel storage facility closer than 100 metres from the high water mark of the nearest shoreline of Bucko Lake.

28. The Licencee shall comply with all the applicable requirements of:
    (a) *Manitoba Regulation 188/2001* or any future amendment thereto, respecting the on-site storage and handling of petroleum products and allied products; and
    (b) *The Manitoba Dangerous Goods Handling and Transportation Act*, and regulations issued thereunder, respecting the handling, transport, storage and disposal of any dangerous goods brought onto or generated at the Development.

29. The Licencee shall ensure that:
    (a) all used oil and hydraulic fluids removed from on-site machinery and vehicles are collected, transported and stored in secure, properly labeled and non-leaking containers until recycled; and
    (b) if the containers are temporarily stored on site, that the storage area is constructed with a base and containment dikes fully lined on the interior with an impermeable liner or is otherwise constructed with equivalent containment provisions satisfactory to the Director.

Respecting an Emergency Response Plan

30. The Licencee shall, within two months of the Development having commenced commercial production through the mill:
    (a) submit to the Director a copy of the Emergency Response Plan as prepared pursuant to the requirements of the MMER, but also addressing chemical spills and potential industrial accidents, and consistent with the "Industrial Emergency Response Planning Guide" (MIAC, September, 1996); and
    (b) continually maintain the Emergency Response Plan up-to-date, and provide the Director with any newly updated pages.

Respecting Mine Closure, Decommissioning and Rehabilitation

31. The Licencee shall, in the course of developing the mine site area, collect and stock-pile for future re-vegetation purposes, any removed and suitable overburden material.

32. To assist in the eventual implementation of a Mine Closure Plan, the Licencee shall within one year of the date of this Licence, determine, compile and submit to the Director, a detailed list of naturally occurring vegetation species at and about the site of this Development.

33. The Licencee shall:
    (a) provide the Director with:
        (i) written notice three months in advance of any imminent permanent closure of this Development; or
        (ii) provide the Director with an immediate notice of any sudden decision to temporarily close this Development whereby the Development would be placed in a mothballed state for re-opening in the foreseeable future;

    (b) comply with *Manitoba Regulation 67/99*, being a regulation issued under *The Mines and Minerals Act* respecting Mine Closure Plans for mining developments, particularly in regards to addressing environmental issues or liabilities including, but not necessarily limited to:
        (i) the decommissioning and rehabilitation of disturbed land areas;
        (ii) the containment, or mitigation of any elevated pollutants in both the local soil and the local surface waterway and groundwater;
        (iii)the decommissioning of access roads and any stream crossings;
        (iv) the restoration or replacement of disturbed fish habitat;
        (v) the scope, frequency and strategy of post-closure environmental monitoring activities; and
    (c) in the course of progressive rehabilitation, as well as upon the permanent or temporary closure of this Development, implement the environmentally related aspects of the Mine Closure Plan to the satisfaction of the Director.

REVIEW AND REVOCATION

A. This Licence replaces Environment Act Licence 2492 RR, which is hereby rescinded.

B. This Licence is valid for 365 consecutive days following the initial date upon which the Licencee commences the deposition of tailings at the site of the proposed ITSF.

C. If federal authorization is granted to the Licencee for the deposition of tailings into Bucko Lake, then this Licence will be replaced with a revised Licence to reflect the original Proposal and to address any concerns and recommendations which were submitted relative to the original Proposal and the Notice of Alteration.

D. Not withstanding item "B", if federal authorization for the deposition of tailings into Bucko Lake is denied, this Licence shall be rescinded, whereupon if the Licencee wishes to pursue a land disposal option for the tailings solids, the Licencee will have to submit a new Proposal for a new Environment Act Licence, or commence to finalize and implement an approved Mine Closure Plan.

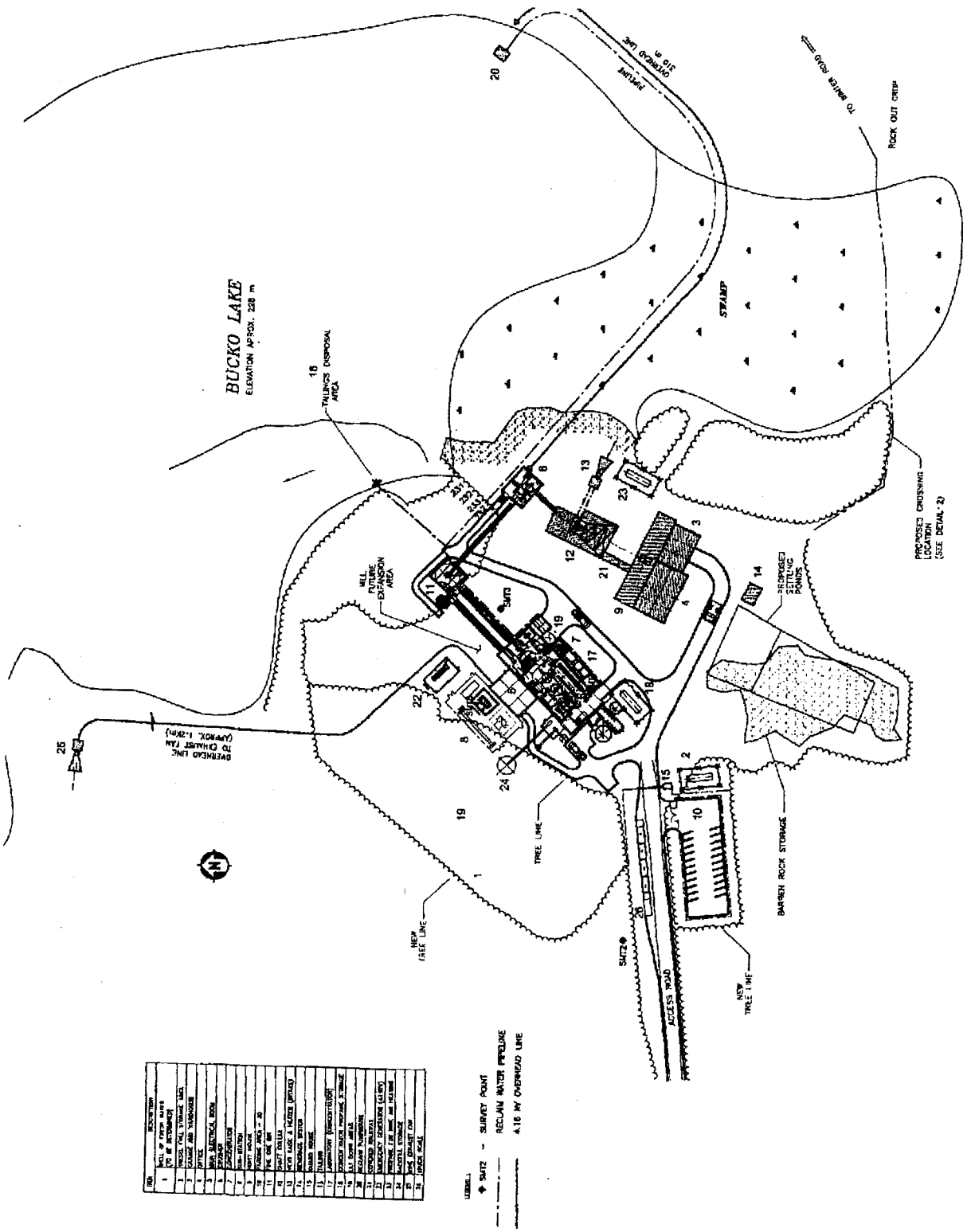
E. If, in the opinion of the Director, the Licencee has exceeded or is exceeding, or has or is failing to meet the specifications, limits, terms, or conditions set out in this Licence, the Director may, temporarily or permanently, revoke this Licence.

F. If, in the opinion of the Director, new evidence warrants a change in the specifications, limits, terms or conditions of this Licence, the Director may require the filing of a new proposal pursuant to Section 11 of *The Environment Act*.

Tracey Braun

Tracey Braun M, Sc.
Director
Environment Act

File: 5212.0


BUCKO LAKE
ELEVATION APPOX. 228 m
SWAMP
TAILINGS DISPOSAL AREA
WILL FUTURE EXPANSION AREA
PROPOSED SETTLING PONDS
PROPOSED CROSSING LOCATION (SEE DETAIL - 2)
ROCK CUT CREEK
TO BAKER ROAD
OVERHEAD LINE 318 m
BURIED LINE
TREE LINE
NEW TREE LINE
ACCESS ROAD
BARREN ROCK STORAGE
SW12
LEGEND
SW12 - SURVEY POINT
RECLAIM WATER PIPELINE
4.16 kV OVERHEAD LINE

APPENDIX ' A' (Bucko Lake Nickel Project Mine Site)

APPENDIX 'B' (ITSF Site)

APPENDIX 'C' (ITSF) Location