Closure and Reclamation Plan

Effective date: October, 2017

Table of Contents

Introduction and Project Details

Margaret Lake Diamonds Inc. has established this Closure and Reclamation Plan to cover its activities during the proposed exploration and diamond drilling program on the "Diagras" property. All personnel shall make themselves familiar with this plan, and the plan will be part of the induction to new personnel of any work program.

The Drilling and surface exploration Crew will be housed at a new exploration camp which is part of the current Land Use Permit Application in process. Once the approved Land Use Permit is approved the LUP number should be recorded below for copies of this closure and reclamation plan used in the field.

LAND USE PERMIT NUMBER: _____

This Plan was prepared and approved by Margaret Lake Diamonds Inc. Additional information or copies are available from Margaret Lake Diamonds Inc. at (604) 630-2810

Location and Description

Margaret Lake Diamonds Inc. has a small area of interest 340 kilometers northeast of Yellowknife, NT. This area lies approximately 35 kilometers northeast of the Diavik diamond mine and 35 kilometers east of the Ekati diamond mine. The primary exploration target will be diamond-bearing kimberlite. Historical exploration results have indicated a very good potential in the area of interest. The Diagras camp will be used as a staging area for all work site activities.

One of the requirements of a Land Use Permit and/or Water License application is the establishment of a Closure and Reclamation Plan. The basis for this plan will provide a template which is used to return any sites of activity to technically viable, self-sustaining ecosystems that are compatible with a healthy environment and human activities, including traditional uses.

Goal of Closure and Reclamation

Margaret Lake Diamonds is operating an exploration program for diamonds in the Hardy Lake area. The project is located approximately 340 kilometers northeast of Yellowknife, NT. Activities associated with exploration will include:

1. Development, operation and closure of site facilities and infrastructure;
2. Use of water for operational activities, including drilling and domestic needs;
3. Disposal of waste;
4. Storage of fuel and hazardous materials;

5. Construction and operation of an ice airstrip;

6. Exploration activities; and

7. Site closure, including progressive reclamation.

Guidelines and Regulatory Requirements

This plan is developed in accordance with the MacKenzie Valley Land & Water Board (MVLWB) and Aboriginal Affairs and Northern Development Canada (AANDC) Guidelines for the Closure and Reclamation of Advanced Mineral Exploration and Mine Sites in the Northwest Territories (2013). The development of a Closure and Reclamation Plan is an ongoing and iterative process that progresses in level of detail over the life of a project. There is little in the way of actual industrial development in the project area other than the base camp used to supply logistical support to the exploration program. This CRP will focus on the following:

- Statements of reclamation objectives for the general area and base camp site;
- Realistic descriptions of activities related to temporary or indefinite closure;
- Conceptual descriptions and assessments of possible reclamation activities;
- Digital imagery depicting site conditions prior to reclamation;
- Identification of any post-closure monitoring requirements and responsibilities; and
- Risk assessment of the likely post-reclamation risks to human and wildlife health and the environment.

Engagement

Margaret Lake Diamonds has submitted an Engagement Plan as part of the application process for the Land Use Permit. Where possible and feasible Margaret Lake Diamonds will:

- Reduce the recovery time of the sites of our land use operations;
- Incorporate Traditional Knowledge in closure objectives and closure planning;
- Minimizing the exploration footprint;
- Minimize impacts of exploration activity on caribou;
- Use progressive reclamation for earlier recovery;
- Use best management practices in site cleanup; and
- Continue with ongoing engagement with relevant First Nations groups and Metis Groups.

Project Description Overview

In general the exploration program is situated on lands northeast of the Diavik diamond mine on and to the south of Hardy Lake. The overall drainage roughly divides the property across the middle with the southern half draining south into the Coppermine river system via Lac du Suavage and Lac de Gras. The northern half of the property drains to the north via Hardy Lake into Pellatt Lake then Contwoyto River and into the Back River eventually discharging into Chantrey Inlet.

Guiding Principles

The following guiding principles form part of this CRP:

- Replace, if practical, any long-term active care requirements with minimal long-term passive care activities;
- Closure objectives that can be measured and are achievable;
- A CRP that is developed with meaningful impact from regulators and any affected groups; and
- A CRP incorporating Lessons Learned and Best Practices from similar undertakings.

Within the guiding principles the CRP is intended to achieve:

- Physical stability of site features;
- Chemical stability of site;
- Minimize the requirement for long-term site care; and
- Provide an end land-use that is compatible, where practical, with future traditional uses of the site.

Site-Wide Short-Term and Long-Term Objectives

The following strategy will be followed for the CRP:

- Compliance with applicable standards, plus guidelines for requirements and objectives.
- Preference shown for minimal maintenance (‘walk away’) or solutions that minimize maintenance (‘passive care’).
- Conduct progressive, ongoing reclamation of the exploration sites.

Progressive reclamation includes closure activities that take place prior to final closure in areas or sites that are no longer actively required to advance the current or future exploration program. Reclamation activities can be completed during operations using available equipment and labour resources. This will reduce future reclamation costs associated with the exploration activity. Progressive reclamation may shorten timelines for achieving final reclamation

objectives, plus provide valuable experience on the effectiveness of proposed permanent reclamation measures.

Short-term reclamation objectives include:

- Progressive reclamation of disturbed areas, such as drill sites or trenches, as soon as they are no longer required;
- Minimal erosion and sediment loss effects from on-site runoff;
- Maintaining safe working conditions at all reclamation activities;
- Removal and disposal of base camp infrastructure and material, as appropriate, when no longer required to meet project objectives;
- Off-site disposal or land farming of hydrocarbon contaminated soil materials; and
- Maintaining an environmentally safe site.

Long-term closure objectives include:

- Return all sites to a state similar to other habitats in the same region and time period that are not affected by exploration activity;
- Restore or replace any local habitat that may have been affected by exploration activities;
- Return the area to a state that supports a properly functioning ecosystem consistent with traditional and non-traditional land uses; and
- Create a landscape compatible with end use of any exploration sites.

In line with the stated short-term and long-term objectives, Margaret Lake Diamonds makes the following commitments:

- Minimize, to the extent practical, all areas disturbed by exploration activities;
- Recover as much disturbed soil as possible for use in reclamation activities;
- Seek opportunities for early reclamation of sites;
- Engage First Nations and Metis groups while developing each iteration of the CRP; and
- Maintain active liaison with other mineral exploration operations in the Canadian Arctic to understand the challenges and successes in reclamation.

Mitigation programs and adaptive management will be implemented in achieving closure objectives. Where practical, experience gained from other operators of mineral exploration projects will be used to support
successful closure and reclamation. This includes physical aspects including techniques used to promote secondary succession of natural vegetation.
Progressive reclamation will be an ongoing process and will be used to reclaim any sites no

longer required to support exploration activities in the project area. Closure and reclamation activities will be ongoing and occur throughout the term of the Land Use Permit.

Specific Elements

Base Camp

Prior to dismantling and removal of the base camp, all buildings and equipment will be inspected to identify and flag any potentially hazardous materials for proper removal and disposal. All equipment will be drained of fluids and cleaned.

Salvageable Materials

Structures, equipment and materials deemed economically salvageable at the time of final closure will be dismantled and removed from site. Equipment will be cleaned, drained and degreased as required prior to off-site transport. Salvageable equipment is expected to include machinery and mobile equipment in working or repairable condition. Hazardous materials are expected to consist of waste oil, glycol, lubricants, solvents, paints, batteries and miscellaneous chemicals. Some of these materials may be suitable for recycling at an appropriate off-site facility. Salvageable equipment to be shipped off-site will be prepared and stored at the base camp location for final disposition. Hazardous materials will be stored in sealed containers and drums in a temporary enclosure. The equipment and materials will be shipped to appropriate disposal, recycling or salvage facilities when logistics permit.

Inert Solid Materials

Non-salvageable and non-hazardous solid waste components from removal of the base camp buildings, structures and equipment will be dismantled, washed and/or degreased as necessary, and transported off-site.

Potentially Contaminated Soil and Hazardous Materials

The potential for ground contamination around fixed machinery installations plus fuel transfer and storage locations will be assessed. If any contamination is suspected it will be confirmed with testing and the material will be either sealed and removed for disposal, or land farmed if permitted. Any other hazardous materials will be stored in sealed containers or drums in the waste transfer area for shipment to a licensed environmental disposal facility.

Fuel Storage

Before final closure the fuel supply will be assessed based upon the requirements of the decommissioning program in order to supply power and construction equipment. If there is a shortfall, drummed fuel may be brought in to help complete the final closure. This fuel will be stored in the fuel cache.

Solid Waste Management Areas

The incinerator, waste handling equipment and any associated structures will be dismantled and removed from site for salvage or disposal. Potential for ground contamination around the incinerator and waste handling facilities will be assessed, and any required remediation undertaken.

Liquid Waste Management Areas

Greywater sumps used for the kitchen and dry will be backfilled to grade. Any waterless toilet systems will be dismantled and removed from site for salvage or disposal.

Seasonal Shutdown

Arctic winter conditions with their low levels of daylight and extreme cold temperatures will necessitate annual seasonal shutdown of operations. The following is a summary of the measures taken in order to properly shut operations until the following exploration season:

- All mobile equipment will either be shut down winterized and/or have fuel and fluids drained for yard storage at base camp, or removed from site;
- Fuel, lubricants and additives will be removed from exploration sites and stored in designated areas of the base camp;
- Fuel caches will be left with drums on their sides with bungs at the 3 o'clock and 9 o'clock orientation in order to facilitate inspections;
- Water lines and water tanks will be drained and stored in designated camp structures;
- Camp inventory will be recorded and digital images obtained of site conditions at the time of seasonal closure.

Inventory

A full inventory is taken prior to seasonal or final abandonment of the camp site. The inventory is comprehensive and includes everything at the site (fuel, supplies, tents, equipment etc.). A complete photo inspection of the camp site is taken at the end of the project.

Final Closure and Reclamation

1. All equipment is disassembled and completely removed from the camp site.
2. All chemicals, detergents, additives and lubricants are completely removed from the camp site and properly disposed of in Yellowknife. Any potential spill sites are inspected and cleaned up.
3. All fuel storage sites (caches) are removed at the end of the project. Any contamination will be cleaned up as per the Spill Contingency Plan.

4. All camp infrastructure (tents/shacks) will be completely removed and the land returned as close to original condition as possible following industry best practices.

5. A final and complete inspection will be taken by the supervisor to ensure proper closure of the base camp facility for both seasonal and final closure.

6. Photo documentation of the closed sites will be acquired by the supervisor for distribution.

Premature Closure

There is a possibility for premature closure (temporary or permanent), which would occur due to lack of exploration success in the project. Premature closure is an unplanned event with more potential for negative effects. If this does occur, Margaret Lake Diamonds will work with regulators and relevant First Nations groups to ensure proper management of the closure effects.

Conclusion

The socio-economic effects of closing an exploration program are much less severe than the closure of an active mining site. With continuing development of the diamond resources sector in the NWT and exploration in general, such effects are perceived to be minimal as long as there is a healthy industry. At the present time, exploration activity in general is at a low point. This has historically been followed by positive economic conditions and renewed interest and activity in mineral exploration.