

LICENCE

Licence No. / Licence n° 2752 R
Issue Date / Date de délivrance January 24, 2007
Revised : June 30, 2010

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 Section 11(1) / Conformément au Paragraphe 11(1)

THIS LICENCE IS ISSUED TO : / CETTE LICENCE EST DONNÉE À :

SHILO FARMS LTD.; "the Licencee"

for the construction and operation of the Development being an irrigation system in the rural municipalities of Oakland and Cornwallis, with a water intake on the Assiniboine River in NW 30-8-16W in the Rural Municipality of South Cypress and in SE 21-9-17W in the Rural Municipality of Cornwallis, in accordance with the Proposal filed under The Environment Act dated April 27, 2005, and additional information dated August 10, 2006, March 19, 2009 and December 7, 2009, and subject to the following specifications, limits, terms and conditions:

GENERAL TERMS AND CONDITIONS

This Section of the Licence contains requirements intended to provide guidance to the Licencee in implementing practices to ensure that the environment is maintained in such a manner as to sustain a high quality of life, including social and economic development, recreation and leisure for present and future Manitobans.

1. The Licencee shall collect and dispose of all used oil products and other regulated hazardous wastes generated by the machinery used in the construction and operation of the Development in accordance with applicable Manitoba Conservation and legislation requirements.
2. The Licencee shall revegetate areas disturbed by the construction of the Development with a mixture of native or introduced grasses or legumes. These areas shall be revegetated as quickly as possible following construction to prevent soil erosion and the establishment of noxious weeds. Native species shall be used to revegetate areas where native species existed prior to construction.

3. The Licencee shall:
 - a) prepare "As Constructed" drawings for the Development and shall label the drawings "As Constructed"; and
 - b) provide to the Director, within three months of the completion of construction of the Development, two sets of "As Constructed" drawings.

SPECIFICATIONS, LIMITS, TERMS AND CONDITIONS

Project Scope

4. The Licencee shall, unless otherwise approved by the Director in writing, construct the water diversion and management works and irrigate the lands as described on Figure 1, attached to this Licence. These lands include NE 36-8-17W, 1-9-17W and 12-9-17W, irrigated from the intake in NW 30-8-16W, and W 15-9-17W, SE 21-9-17W, 22-9-17W, 23-9-17W and N27-9-17W, irrigated from the intake in SE 21-9-17W. Proposed amendments to this project must be submitted to the Director for approval with an accompanying discussion of the nature and purpose of the amendments.

Construction

5. The Licencee shall, not less than two weeks prior to beginning construction of the Development, provide notification to the Environment Officer responsible for the administration of this Licence of the intended starting date of construction and the name of the contractor responsible for the construction.
6. The Licencee shall establish any fuel storage areas required for the construction and operation of the Development:
 - a) a minimum distance of 100 metres from any waterbody; and
 - b) in compliance with the requirements of *Manitoba Regulation 188/2001*, or any future amendment thereof, respecting *Storage and Handling of Petroleum Products and Allied Products*.
7. The Licencee shall, during construction and operation of the Development,
 - a) immediately report any reportable spills to Manitoba Conservation's Accident Reporting Line at (204) 944-4888; and
 - b) provide a follow-up report to the Director on a reportable environmental accident outlining the cause(s) and proposing corrective action to prevent reoccurrence.
8. The Licencee shall, during construction of the Development, take all appropriate measures to prevent erosion and the deposition of sediment into the Assiniboine River.
9. The Licencee shall not undertake instream construction activities in connection with the Development between April 1 and June 30 of any year.

10. The Licencee shall not undertake instream construction activities in connection with the Development during periods of high streamflow.
11. The Licencee shall, during construction of water intake works in connection with the Development, minimize the extent of clearing of riparian vegetation adjacent to the Assiniboine River.
12. The Licencee shall install buried pipelines on cultivated land or land in its natural state in accordance with the methodology illustrated in Figures 2 to 4, attached to this Licence. These procedures do not apply when a plough or a continuous trencher is used to install a pipeline.

Operation – Matters Respecting Water Management and Water Quality Protection

13. The Licencee shall install and maintain instream water diversion works associated with the Development in accordance with the requirements of the Department of Fisheries and Oceans and the Canadian Coast Guard.
14. The Licencee shall screen the pump intakes associated with the Development in accordance with the Department of Fisheries and Oceans publication "Freshwater Intake End-of-Pipe Fish Screen Guideline" (March, 1995). Final screen design shall be approved by the Department of Fisheries and Oceans prior to the operation of the Development.
15. The Licencee shall alter the screens on the pump intakes associated with the Development if future research indicates that different design criteria are appropriate with respect to water withdrawals prior to July 1 of any year.
16. The Licencee shall maintain a minimum instream flow below the diversion points of the Development in NW 30-8-16W and SE 21-9-17W at all times while water is being diverted into the Development. The minimum instream flow at the diversion points shall be as determined by Manitoba Water Stewardship and in accordance with the provisions of a Water Rights Licence(s) issued for the Development.
17. The Licencee shall immediately cease diverting water from the Assiniboine River or reduce the diversion rate if the minimum instream flow provided for in Clause 16 of this Licence is not equalled or exceeded.
18. The Licencee shall limit the pumping rate at the water diversion points of the Development to 340 litres per second at NW 30-8-16W and to 397.5 litres per second at SE 21-9-17W, or as specified in a Water Rights Licence(s) for the Development.
19. The Licencee shall, on a daily basis while irrigation is occurring from the Development, record volumes of water pumped, and durations of pumping. A report on this information shall be provided, by March 1 of the following year, to the Environment Officer responsible for the administration of this Licence and the

Environmental Assessment and Licensing Branch. The report shall be provided in the format shown in Table 1, attached to this Licence.

20. The Licencee shall install backflow prevention devices and maintain them in operational condition at all times if fertilizer or crop protection products are applied through the irrigation systems of the Development.
21. The Licencee shall, if fertilizer or crop protection products are applied through the irrigation systems of the Development, not allow irrigation water containing these materials to be applied to or drain to surface water bodies.

Operation – Matters Respecting Land Management and Soil Quality Protection

22. The Licencee shall not, with water diverted by the Development, irrigate any land parcel other than a land parcel described in Clause 4 of this Licence and identified in Figure 1 attached to this Licence.
23. The Licencee shall implement agronomic practices described in the following documents:
 - a) Section 4 of the report “Shilo Farms Ltd Irrigation Project Environmental Act Proposal Final Report”, prepared by AXYS Agronomics, March, 2005;
 - b) Section 6 of the report “Land and Agronomic Assessment for the Shilo Farms Irrigation Project”, prepared by AXYS Agronomics, December, 2004;
 - c) Section 7 of the report “Agronomic and Environmental Services for the Shilo Farms Irrigation Development (Addenda) Final Report” prepared by Jacques Whitford Stantec AXYS Limited, March , 2009;
 - d) The letter from Shilo Farms Ltd. to the Environmental Assessment and Licensing Branch dated December 7, 2009; and
 - e) “Draft Best Management Practices Manual 1999” by the Central Manitoba Irrigators Association and Central Manitoba Resource Management Ltd., concerning general agronomic practices, or future versions thereof.
24. The Licencee shall manage phosphorus as well as nitrogen in all nutrient management plans developed pursuant to Clause 23 of this Licence.
25. The Licencee shall not remove cereal crop residue from the lands of the Development.
26. The Licence shall not apply nutrients to nutrient buffer zones on fields 76 and 84 pursuant to *Manitoba Regulation 62/2008*, or any future amendment thereof, respecting *Nutrient Management*.

Monitoring

27. The Licencee shall provide, by March 1 of the following year, a report on soil and petiole analysis results and fertilizer application, to the Environment Officer responsible for the administration of this Licence and the Environmental

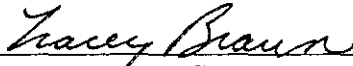
Assessment and Licensing Branch. This report shall record the following information:

- a) Irrigation water application (mm/day);
- b) Rainfall (mm/day);
- c) Nitrogen application (kg/ha/day);
- d) Phosphorus application (kg/ha/day);
- e) An evaluation of nutrient management practices for the crop year in comparison to the goal of minimizing the leaching of nutrients below the crop rooting zone; and
- f) Recommendations for improving nutrient management practices.

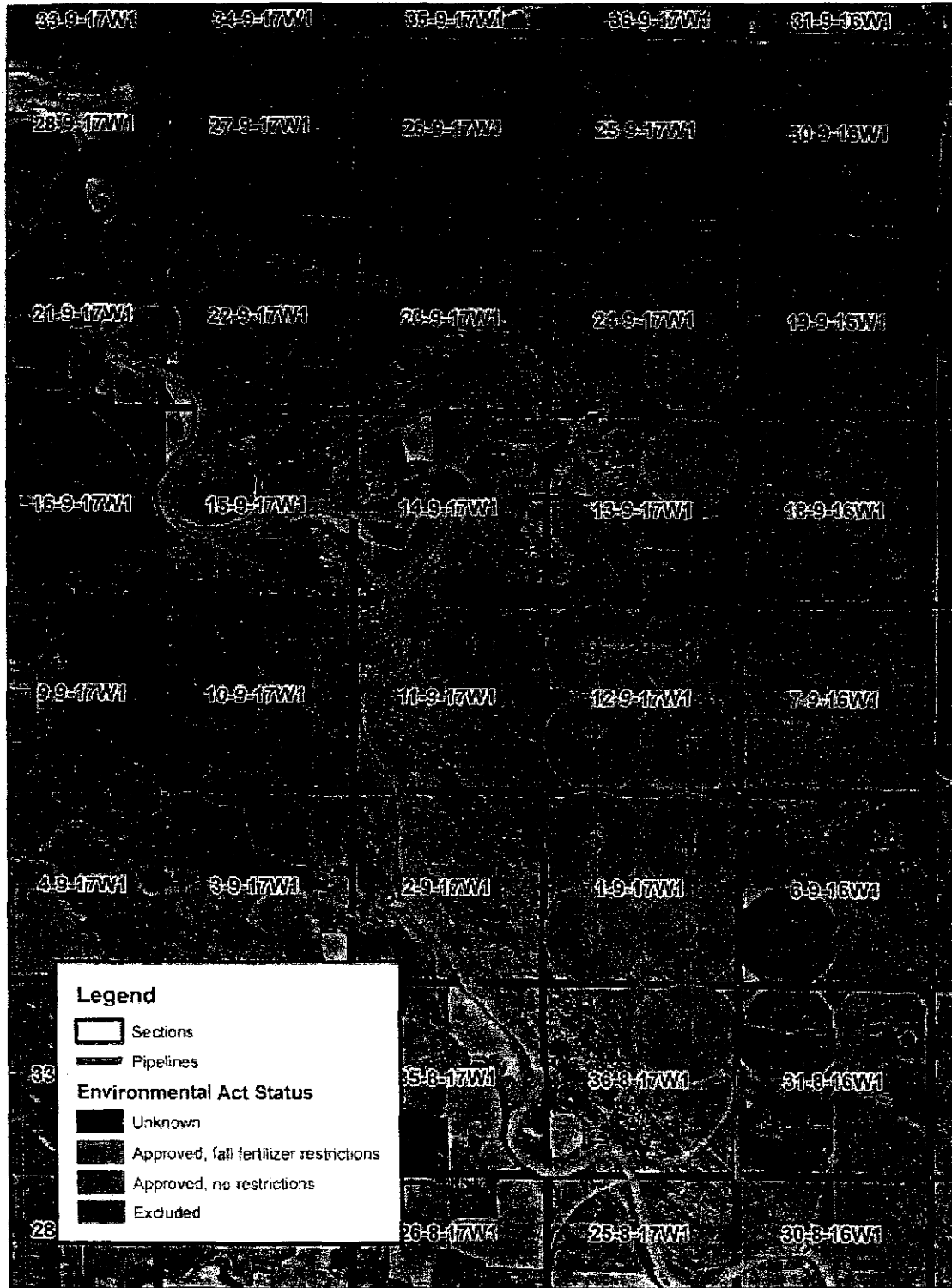
28. The Licencee shall, upon the request of the Director:
- a) sample, monitor, analyze or investigate specific areas of concern regarding groundwater, surface water and soil for such duration and at such frequencies as may be specified;
 - b) determine the environmental impact associated with the specific areas of concern; and
 - 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, and such other information as may from time to time be requested.

REVIEW AND REVOCATION

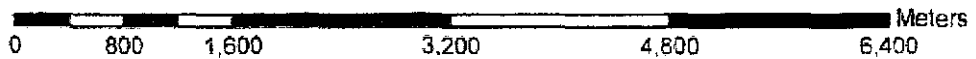
- A. This licence replaces Environment Act Licence No. 2752 which is hereby rescinded.
- B. If, in the opinion of the Director, the Licencee has exceeded or is exceeding or has or is failing to meet the specifications, limits, terms, or conditions set out in this Licence, the Director may, temporarily or permanently, revoke this Licence.
- C. 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, M. Sc.
Director
Environment Act

Shilo Farms March 2009

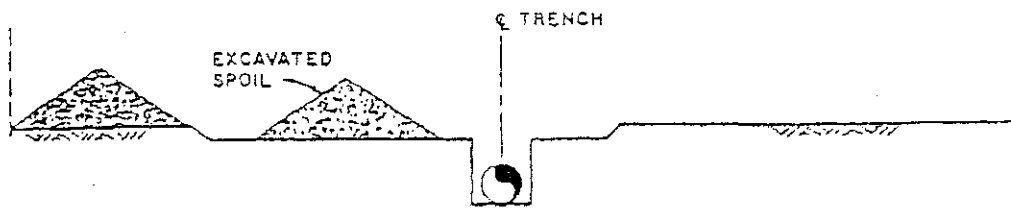


**Figure 1 to
Environment Act Licence No.2752 R**

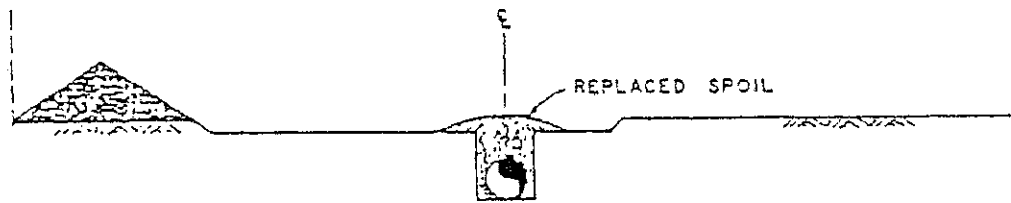




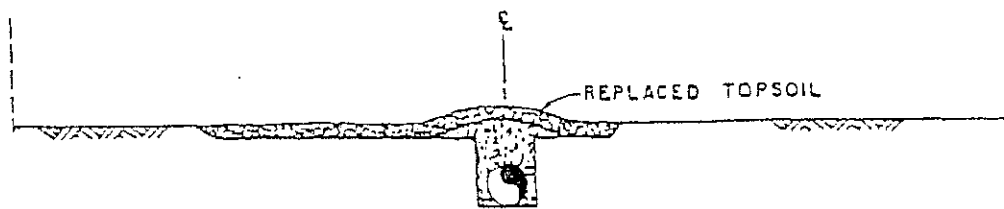
1. TOPSOIL STRIPPED



2. TRENCH EXCAVATED



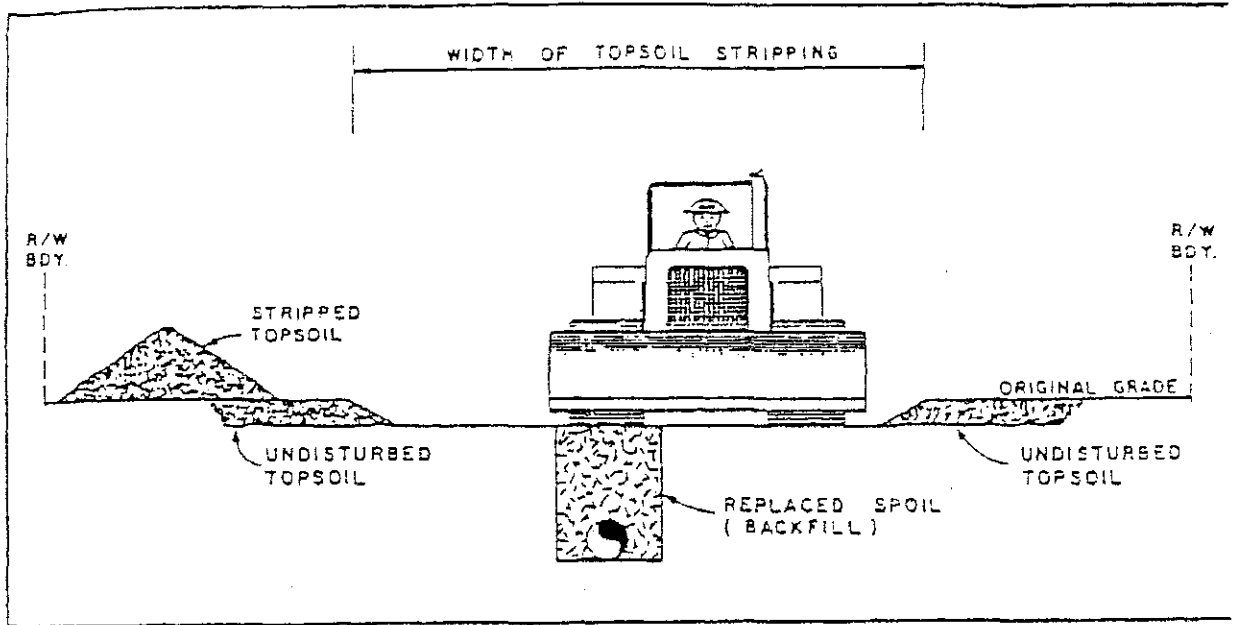
3. TRENCH BACKFILLED



4. TOPSOIL REPLACED

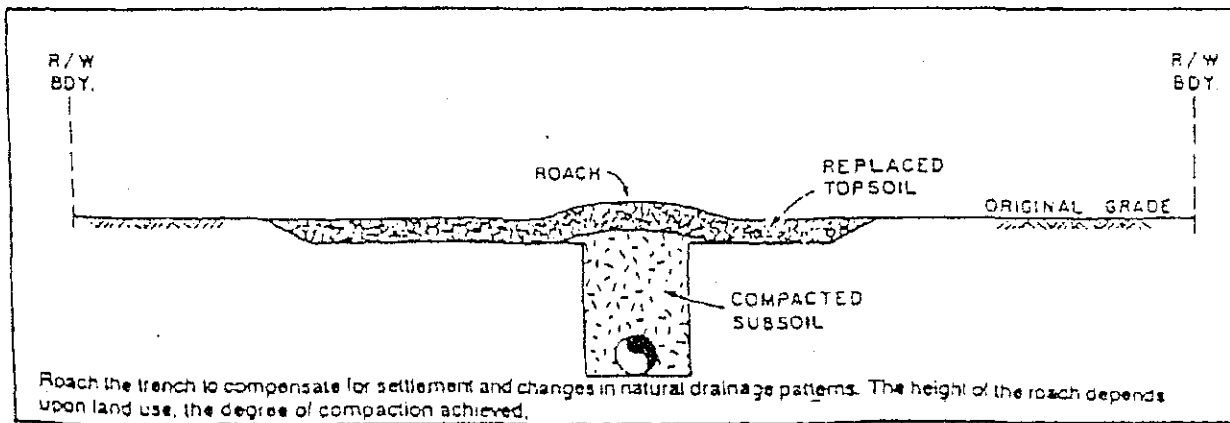
SEQUENCE OF TOPSOIL HANDLING

Figure 2



COMPACTION OF BACKFILL

Figure 3



ROACHING THE TRENCH

Figure 4

Table 1 to Environment Act Licence No. 2752 R

Shilo Farms Ltd Shilo Farms Ltd. Irrigation Project

Annual Water Use Report Year: _____

Intake Location: _____

Pump Capacity: _____ m³/s or cfs

Minimum Instream Flow: _____ m³/s or cfs Measured at: _____

Conversions: 1 acre (ac.) = 0.405 hectares (ha.) 1 ha. = 2.471 ac.
 1 acre-foot (ac.-ft.) = 1.233 cubic decametres (dam³) 1 dam³ = 0.811 ac.-ft.
 1 cubic foot per second (cfs) = 0.0283 cubic metres per second (m³/s)
 1 m³/s = 35.31 cfs
 1 imperial gallon per minute (IGPM) = 0.000076 m³/s
 1 US gallon per minute (USGPM) = 0.000063 m³/s

| Date | Pumping Rate | Duration hours | Vol. Pumped dam ³ | Parcel(s) Irrigated |
|-------|--------------|-------------------|---------------------------------|---------------------|
| | | | | |
| TOTAL | | sum | sum | |

Table 1



Conservation

Climate Change and Environmental Protection Division
Environmental Assessment and Licensing Branch
123 Main Street, Suite 160, Winnipeg, Manitoba R3C 1A5
T 204 945-7100 F 204 945-5229
www.gov.mb.ca/conservation/eal
FAXED
CLIENT FILE NO.: 5100.00

June 30, 2010

Wayne DeLong
Shilo Farms Ltd.
Box 86
Shilo MB R0K 2A0

Dear Mr. DeLong:

Enclosed is **Environment Act Licence No. 2752 R** dated June 30, 2010 issued in accordance with The Environment Act to **Shilo Farms Ltd.** for the construction and operation of the Development being an irrigation system in the rural municipalities of Oakland and Cornwallis, with a water intake on the Assiniboine River in NW 30-8-16W in the Rural Municipality of South Cypress and in SE 21-9-17W in the Rural Municipality of Cornwallis, in accordance with the Proposal filed under The Environment Act dated April 27, 2005, and additional information dated August 10, 2006, March 19, 2009 and December 7, 2009.

This Licence rescinds and replaces Licence No. 2752. In addition to the enclosed Licence requirements, please be informed that all other applicable federal, provincial and municipal regulations and by-laws must be complied with.

For further information on the administration and application of the Licence, please feel free to contact Peter Crocker, Environment Officer at (204) 726-6565.

Pursuant to Section 27 of The Environment Act, this licensing decision may be appealed by any person who is affected by the issuance of this Licence to the Minister of Conservation within 30 days of the date of the Licence.

Yours truly,

Tracey Braun, M. Sc.
Director
Environment Act

c.

D. Labossiere, Director, Environmental Operations
Peter Crocker, Environment Officer, Brandon
Public Registries & R.M. of Cornwallis, R.M. of Oakland & R.M. of South Cypress

NOTE: Confirmation of Receipt of this Licence No. 2752 R (*by the Licensee only*) is required by the Director of Environmental Assessment & Licensing. Please acknowledge receipt by signing in the space provided below and faxing a copy (cover letter only) back to the Department by July 15, 2010.

On behalf of Shilo Farms Ltd.

Date

*** A COPY OF THE LICENCE MUST BE KEPT ON SITE AT THE DEVELOPMENT AT ALL TIMES**