



Indian and Northern
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Water Resources Division
Nunavut Regional Office
Indian and Northern Affairs Canada
Iqaluit, NU X0A 0H0

Our File: 9545-0159(N5L3)/ CIDMS 215886
Your File: 1AR-NAN0208

May 28, 2008

Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
Gjoa Haven, NU X0B 1J0

Dear P. Beaulieu:

**Re: 1AR-NAN0208/ Request for Renewal & Amendment of the Nanisivik Mine
Site Water Licence by CanZinco Limited**

Indian and Northern Affairs Canada (INAC) reviewed the CanZinco Limited, a wholly-owned subsidiary of Breakwater Resources Ltd., on February 21, 2008 application for renewal and the September 26, 2006 application to amend the water license 1AR-NAN0208 (formerly NWB1NAN0208) that expired May 1, 2008. CanZinco Ltd. had applied for two earlier amendments, on June 7, 2006 requesting the Nunavut Water Board (NWB) to consider SNP station 159-4 as being in year one of closure; and on June 16, 2006 requesting the NWB to reduce sampling frequency for all SNP stations from monthly to quarterly sampling. The following advice has been provided pursuant to INAC's mandated responsibilities for the enforcement of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Indian Affairs and Northern Development Act*. Indian and Northern Affairs Canada recommends that the Board consider these comments when reviewing this licence renewal application.

The Nanisivik Mine is located near the community of Arctic Bay in the Qikiqtani Region (73° 3'N and 84° 35' W) and included:

- a municipal area with water supply and effluent facilities, housing and recreation;
- an underground mine with a mill, tailings containment area and a concentration storage facility;
- a deep water port with fuel storage and loading area;
- an airport and a short takeoff and landing strip (STOL);
- a roads connecting the components of the site.

INAC recommends that the Board consider granting an extension of the expired Type A water license, retaining the current terms and conditions, for one year through the use of a written hearing. This extension should be provided in order for the proponent to update or revise the amendment application and for the interveners, including INAC, to do site visits and a comprehensive review of the project's reclamation. If the proponent promptly submits an updated or revised amendment application with a request for a longer extension, the Board could consider a hearing on the Type A water license.

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The following comments are suggested for the Board to recommend to the Licensee to provide sufficient information to amend the renewed license to cover all areas of water use and deposit of waste into water.

A. General

The Licensee should:

1. submit water license application and supplementary questionnaires, as indicated in item 13 of the Water Licence Application Form.
2. continue to commit to ensure compliance with the terms and conditions in the water license which includes submitting quarterly and annual reports with all the information required therein as stated in the License;
3. begin to submit to the Board as constructed plans for work and modifications undertaken during the abandonment and reclamation and submit, in writing, the modifications made on site to the A&R plan, especially changes to streams and bodies of water, including crossings. The A&R plan could also be updated for the Board's review when the proponent applies for the license amendment.
4. submit the Terms of Reference for a Comprehensive Performance Review that was (suggested by 2007).

B. Abandonment and Reclamation

The Licensee has indicated in its quarterly reports that:

1. the reclamation of the West Twin Lakes Tailings Area and reservoir appeared to be complete, except for minor tailoring due to settling of the cover material and riprapping of side slopes. The reports do not state if this work was completed in 2007 or will be done in 2008. The work not been completed at the time of the INAC inspection during the summer of 2007. Also, information on the rate of permafrost rise within the tailings was not included.
2. the town site and government complex have been removed, including the foundations/floors. But the cover on the broken foundation concrete was not included.
3. the mill and concentrations storage shed have been dismantled and cleaned and the floors and foundations removed. Soils contaminated by metal dust were removed and covered. However, the reports do not state where the dismantled infrastructure is now stored and if the proponent is controlling and monitoring runoff from the storage area.
4. the extent of the progress on mediating the contaminated soil from the North Yard and near the K-Line was not included in the progress reports.
5. although the proponent states that the approved abandonment and reclamation plan is being followed, a comparison of the work undertaken and the plan may be helpful to the Board.

6. the progress of reclamation, but has not answered the concerns expressed by the Board and interveners about the long-term stability of the mine site and potential for surface subsidence.

Again, INAC recommends that the Board consider a written hearing for extension of the expired water license, retaining the current terms and conditions. Indian and Northern Affairs Canada requests continued notification of any changes to the A&R plan, as further review may be necessary. Please contact me should you have any questions or comments with regards to the foregoing. If you have questions, please contact me at (867) 975-4500 or RogersJi@inac-ainc.gc.ca or contact David Abernethy at (867) 975-4555 or AbernethyD@inac-ainc.gc.ca.

Regards,

Original signed by Jim Rogers

Jim Rogers,
Manager, Water Resources