Water Resources
Nunavut Regional Office
P.O. Box 100
Iqaluit, NU, X0A 0H0

Your file - Votre référence
2BE-FPC---

February 15, 2013

Our file - Notre référence
CIDM# 636396

Phyllis Beaulieu
Manager, Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

Re: Application for Water Licence – Canada Coal Inc. – Fosheim Peninsula Coal Project

Dear Phyllis Beaulieu:

Aboriginal Affairs and Northern Development Canada (AANDC) has performed a review of the water licence application 2BE-FPC--- submitted by Canada Coal Inc. to the Nunavut Water Board (NWB). The following advice has been provided pursuant to AANDC's mandated responsibilities under the Nunavut Waters and Nunavut Surface Rights Tribunal Act (NWNSRTA) and the Department of Indian Affairs and Northern Development Act (DIAND Act). In conducting our review, AANDC referred to the documents on the NWB's FTP-site under 2BE-FPC---.

Should you have any questions or comments, please do not hesitate to contact me at (867) 975-4568 or by e-mail at Rory.MacDonald@aandc-aadnc.gc.ca

Regards,

Sent via Email

Rory MacDonald
Water Resources Technician

Cc. Murray Ball, Manager of Water Resources, AANDC
Erik Allain, Manager of Field Operations, AANDC

Technical Review Memorandum

To: Phyllis Beaulieu – Manager of Licensing, Nunavut Water Board

From: Rory MacDonald – Water Resources Technician, AANDC

Re: Application for Water Licence – Canada Coal Inc. – Fosheim Peninsula Coal Project

1. Project Description

The Nunavut Water Board (NWB) distributed Canada Coal Inc. licence January 22nd, 2013 for water use and waste disposal associated with the Fosheim Peninsula Coal Project located on Ellesmere Island in Nunavut's High Arctic. Canada Coal Inc. intends to continue to evaluate coal deposits on Fosheim Peninsula employing several methods including core drilling, geological mapping, and sampling within existing leases. In conjunction with exploration activities, Canada Coal may also conduct geophysical, heritage and logistical studies.

The core drilling program may include up to 60 drill holes with a maximum of three (3) drills operating. Water use associated with drilling activities is 150 m³/day (50 m³/day for each drill). Sources of water for drilling will be proximal lakes and permafrost melt ponds. Exact source are yet to be determined.

Exploration activities will be based out of a temporary exploration tent camp, the Eureka Weather Station, or some combination thereof. The proposed camp location is located about 1-2km south of Romulus Lake which will also be the camp's primary water source. Water will be obtained using a well pump and should adhere to the *Freshwater Intake End-of-Pipe Fish Screen Guidelines* (DFO, 1995). Camp water use will be 50 m³/day with small quantities of water a proposed to be stored at the camp facility.

2. Results of Review and Recommendations

AANDC Water Resources Division offers the following comments and recommendations for the Board's consideration.

A. General

- AANDC recommends that water sources likely to be used to support drilling activities, be listed in the water licence and their coordinates submitted to NWB.

- It is recommended that the proponent provide all locations of water sources, sumps and drill holes in annual reports or to an Inspector upon request. It is preferred the NAD 83 reference coordinate system be used when presenting this information.

- A land use conformity determination is required for this undertaking. Prior to issuance of this licence, AANDC recommends that Canada Coal provide a copy of the conformity determination to the NWB.

B. Water Use

- The proponent has indicated in their *Exploration Remote Camp Supplementary Questionnaire* that "various creeks, waterways and melt ponds" will be used as water sources for drill targets. AANDC recommends that water withdrawal volumes do not result in a noticeable change in water level or downstream flows as consistent with

Fisheries and Oceans Canada "Nunavut Operational Statement for Mineral Exploration Activities" (2010).

C. Wastes

- AANDC recommends that all sumps for the disposal of grey water or drilling wastes be located a minimum distance of 30 metres from any water body and be managed to ensure that there are no adverse effects to the quality, quantity and flow of water. Furthermore, all sumps be backfilled and contoured to match the surrounding landscape prior to the end of the project.

- AANDC recommends that Canada Coal handle and transport all hazardous wastes as per the applicable guidelines (Government of Nunavut's *Guideline for General Management of Hazardous Waste - January, 2002*). However AANDC recommends that Canada Coal also have all the proper authorizations for the disposal of any type of waste (hazardous or non-hazardous) from the owner of any approved disposal facility to be used.

- AANDC recommends that Hazardous waste/waste oil materials and hydrocarbon contaminated soil stored on-site should be clearly labeled, with labels visible under all conditions and in all seasons. This recommendation is intended to prevent possible damage or misplacement of the containers.