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9545-1-1-JER-G

21 September 2004

Mr. Philippe di Pizzo
Executive Director,
Nunavut Water Board
PO Box 119
Gjoa Haven, NU X0B 1J0

Dear Mr. di Pizzo,

Re: Conformity Analysis of Tahera Corporation Limited's Water Licence Application for the Jericho Diamond Project

Thank you for providing INAC with an opportunity to review the above-noted application.

As requested in your cover letter of September 7, 2004, INAC reviewed the application to identify subject matters – as outlined in the Water Licence Application Guidelines sent to Tahera Corporation Limited on August 3, 2004 – which have not been addressed by Tahera's Water Licence Application.

The Department's conformity review focussed on those issues within INAC's mandate under the *Nunavut Waters and Nunavut Surface Rights Tribunals Act*, particularly surface and permafrost disturbance, water quality and quantity and abandonment and reclamation cost estimates.

Although they were included in the NWB Guidelines, INAC did not review the compensation agreements (e.g. IIBA and No Net Loss Plan) between the Applicant and other parties. It is INAC's opinion that sufficient evidence has been provided by the Applicant to demonstrate that action has been taken related to compensation measures. That being said, INAC believes that these agreements fall outside of the terms and conditions of a water licence and therefore are beyond the scope of the technical review.

Other matters not included in our review include winter roads and the new components pertaining to modifications of the site layout as presented in Section 1.2 of Tahera's Summary Report. INAC is quick to point out that some of the changes outlined in Section 1.2 may represent an improvement to the original plan, however, INAC believes that it would be more appropriate to discuss these during the technical review.

INAC notes that the Applicant included a discussion of the spray irrigation plan as a back-up/contingent for removing ammonia and other contaminants in the event that water quality from the PKCA does not meet Water Licence criteria. The Applicant is to be commended for their foresight, however, it should be pointed out that condition # 38 of the NIRB Project Certificate states that the Spray Irrigation Plan must be re-submitted to NIRB, under a separate application, for screening and approval. Therefore INAC did not consider the spray irrigation plan as a part of this conformity review. Furthermore, given the directions in the Project Certificate, INAC believes that the spray irrigation plan should not be included in the technical review.

Overall, INAC is of the opinion that Tahera has provided a complete water licence application with respect to those issues under our mandate. The following comments represent what we believe to be minor deficiencies and requests for clarification. We are therefore confident that these can easily be resolved by Tahera in a timely manner and that there will be no delays in proceeding to the technical review.

4.1 (e) (i) Where the proposed undertaking consists of the use of a roadpresent monitoring and mitigation measures with respect to surface drainage patterns

Tahera Reference: Appendix I, section 4; Appendix X, Section 2

- There does not appear to be any reference to monitoring surface drainage patterns as it pertains to roads in the referenced AMEC report.

4.1 (g) (v) 1.b. Provide landfill/landfarm engineered design.....

Tahera reference: Appendix G, section 2; Appendix H, section 3

- Figure 1, Appendix H (Cross Section and plan of the landfill) is missing.

4.1 (g) 1.c. Provide a list detailing types and quantities of waste....

Tahera Reference: Appendix H, section 4.1

- A list of waste types is provided, however there does not appear to be any quantities given.

4.1(h)(vi) Provide detailed design plans for the fuel storage area

Tahera reference: Appendix F, Attachment 2.1

- A detailed design plan for the fuel storage area has not been provided.
- Reference is made to "Attachment 2.1" , however, there is only attachments "1.1" and "6.1" with Appendix F. Please clarify the location, within the application, of the detailed design plan.

4.1 (i) (iv) 3. Monitor the detrimental effects of PKCA freeze back

Tahera reference: Appendix W, section 13.6

- Tahera's summary conformity table references section 13.6 in Appendix W, however this section does not seem to exist. Please clarify the location of this issue within the application.

4.1 (i)(iv)4. Provide PKCA closure design details , such as the West Dam....

Tahera reference: Appendix A, section 5.3.3; Appendix W, section 13

- The West Dam is not referenced in Appendix A; only in Appendix W, section 13. Please clarify the location of this subject in Appendix A.

4.3 (b) (i) 6.c.) Treatment options...provide details of treatment for metals removal and/or pH adjustment, as well as feasible alternatives to spray irrigation for treatment of ammonia and removal of TDS.

Tahera Reference: Summary Report Section 3.1.5

- There appears to be a disconnect between the NWB Guidelines and the reference in Tahera's conformity table.
- Appendix K, outlines the spray irrigation option but does not provide a discussion on alternatives.
- Please clarify the location, in the application of these discussions.

4.3 (b)(i) 8 Present mitigation measures for the long term degradation of permafrost in all affected areas.

Tahera reference: Appendix W, section 6

- The referenced section discussed degradation in the frozen core dams, however there does not appear to be a discussion on mitigative measures for the long-term degradation of permafrost in all affected areas as required in the NWB guidelines.
- Please clarify the location, in the application, of the discussion of this issue.

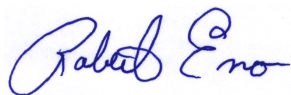
4.5(c)(ii)2(a) Surveillance Network Program: Provide.....sampling locations (UTM/Latitude-Longitude Coordinates fixed by GPS with an attached map....)

Tahera Reference: Appendix N, Tables 2.2 and 4.1

- Coordinates have been provided, however there is no accompanying map showing the locations of these sites.

This concludes INAC's comments at this time. INAC does, however, reserve the right to identify, during the technical review process, any omissions in the licence application that we may have overlooked in this conformity review process; particularly related to those components identified by the Applicant (Section 1.2) as being revised since the Project Certificate issuance, that may not be captured in the current Guidelines.

INAC commends Tahera for the thoroughness of their application.



Robert Eno
Water Resources Coordinator,
Kitikmeot/Kivalliq Regions

c. Greg Missal, Tahera Diamond Corporation