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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI

File No: NWB1JER0410

November 23, 2005

Carl McLean
Director of Operations
Indian and Northern Affairs Canada
P.O. Box 100
Iqaluit, NU X0A 0H0

Subject: Compliance and Inspection of Jericho Mine Water Licence (NWB1JER0410 "Licence")

Dear Mr. McLean:

Following our request to the Department of Indian and Northern Affairs Canada (INAC) to inspect the Jericho Mine site and provide a Compliance Report to the Nunavut Water Board (NWB or Board), and our meeting of November 15, 2005 with Mr. Greg Missal, Vice President of Regulatory Affairs, Tahera Diamond Corporation (Licensee), I reported the outcome of our meeting to my fellow Board members.

In order to assist INAC with our inspection request, the NWB forwarded to Mr. Peter Kusugak, Manager Field Operations, INAC, a list of issues of concern to be looked at by the inspector. We expected to receive from INAC a Compliance Report that specifically addressed these issues. This list is attached for your consideration.

The Board has reviewed the Inspection Report provided by INAC and concludes that it does not supply the Board with sufficient information to determine whether the Licensee has complied with the general terms and conditions of its water licence. Specifically, the Board is concerned that the Licensee is in violation of the terms and conditions of Part D of the License which requires the Licensee to obtain Board approval to proceed with construction of mine facilities *prior to construction*, and to comply with the terms and conditions under which such approval to proceed is granted. Evidence of violations includes:

- **Freshwater Intake Causeway Plan (Part D Item 15):** The NWB approved the construction of the water intake Causeway on July 28, 2005, with terms and conditions. All of these conditions, such as the requirement to submit as-built drawings, have not been satisfied.
- **Waste Water Treatment Plant (Part D, Item 8):** On July 28, 2005 the Board formally rejected the proposed design submitted by the Licensee, however, during our meeting with Mr. Missal he admitted the Waste Water Treatment Plant has been constructed and

commissioned.

- **Diversion of the C1 Stream (Part D, Item 16):** The C1 Diversion proposed by the Licensee has not been approved by the NWB, however, Mr. Missal admitted, and the Department of Fisheries and Oceans confirmed in their August 18, 2005 site visit report, that some preparatory work has already been done..
- **Long Lake De-Watering (Part D, Item 13):** This project has not been approved by the NWB, but some de-watering activities occurred during the summer of 2005 without NWB approval, as indicated by Mr. Missal on November 15.

Consequently, the Board requests INAC conduct a full site investigation, including the violations identified above, and provide a full compliance report to the NWB. The Board also requests INAC include in the compliance report any enforcement measures to be undertaken as a result of the site investigation. Further, in order to add context and relevance to the Board's licensing work, we ask that a NWB Technical Advisor accompany the INAC inspector on the site visit.

The Board will meet on December 15 and 16, 2005 to review the status of the licence and consider the enforcement mechanisms or next steps available to the Board to remedy non-compliance with the terms and conditions of the License. Accordingly, the Board requires the compliance report from INAC no later than December 10, 2005.

By copy of this letter, the Board is also seeking the Licensee's permission for the NWB Technical Advisor to attend the site visit. The Board asks that the Licensee advise the Board of its consent or concerns in writing as soon as possible. In addition, the Board asks that should the Licensee wish to respond directly to the Board to the issues raised in this letter, that the Licensee do so prior to December 10, 2005.

Please direct any discussions of this matter to Mr. Philippe di Pizzo, NWB's Chief Administrative Officer. All correspondence should be directed to Mr. di Pizzo's attention.

Yours truly,

ORIGINAL SIGNED BY:

Lootie Toomasie
Chairperson

cc. Michael Nadler, Regional Director General, Department of Indian and Northern Affairs
Canada (Nunavut)
Greg Missal, Vice-President of Regulatory Affairs, Tahera Diamond Corporation

Encl. Status – NWB1JER0410 Technical Documents