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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI

File: NWB1JER0410/D12

March 30, 2005

By Email and Regular Mail

Mr. Greg Missal
VP, Government and Regulatory Affairs
Tahera Diamond Corporation
Suite 803, 121 Richmond Street West
Toronto, Ontario M5H 2K1

Subject: **Approval: Final Design Plan – Fuel Farm, Jericho Mine**

Dear Mr. Missal:

The Nunavut Water Board ("NWB") has reviewed the above submission made with respect to Water Licence NWB1JER0410, Part D, Conditions Applying to Construction; Item 12, dated January 26, 2005 with additional information received February 4th and February 28, 2005.

The Submission, prepared by HATCH™ and entitled "Tahera Diamond Corporation: Jericho Diamond Project Fuel Farm-Supply and Installation, Rev.3", complete with drawings, was made available to interested persons for review and comment during the period February 9th through March 2, 2004. During this period, there were no immediate concerns expressed by interested persons with respect to the design and installation of the proposed Fuel Farm. The DIAND reviewer had indicated that the Design report will be looked at by their third party consultants with the understanding that any significant concerns may be brought forward prior to the second phase of construction and the installation of the larger fuel tanks.

As detailed in the submission (HATCH™ Report above), the fuel farm construction project consists of the following components with respective drawings listed;

Phase I - Project Summary (March 2005)

Site Preparation (Civil Contractor – Nuna Logistics)
- Drawing No.010-01-0002 R3 – Site Grading Plan
- Drawing No. 010-01-0005 R3 – Site Grading Sections

Installation of the HDPE liner (Civil)
- Drawing No.150-09-0002 R1 – Containment Basin Sections

Erection of the dike (Civil)
- Drawing No.150-09-0001 R1 – Containment Basin Layout
- Drawing No.150-09-0002 R1 – Containment Basin Sections

Supply and installation of all electrical cables, including grounding cables (General Contractor – Clarke Builders)

Installation of eight (8) tanks, 500m^3 capacity each (Civil)
- Drawing No.150-03-0001 R1 – Diesel Fuel Farm General Arrangement

Installation of two (2) day tanks, 64 m^3 capacity each (General)
- Drawing No.150-04-0001 – Diesel Fuel Farm Piping Layout Plan

Installation of one (1) unloading and transfer fuel module (General)
Drawing No.150-04-0001 – Diesel Fuel Farm Piping Layout Plan
Installation of one (1) dispensing fuel module (General)
Drawing No.150-04-0001 – Diesel Fuel Farm Piping Layout Plan
Supply and installation of all interconnecting piping between the fuel farm, the fuel modules, the day tanks and the power plant (General)
Drawing No.150-04-0001 – Diesel Fuel Farm Piping Layout Plan
Drawing No.150-06-0101 – Diesel Fuel Farm Piping and Instrumentation Diagram

Phase II - Project Summary (Summer 2005; July/August)

Installation of the HDPE liner (General)
Drawing No.150-09-0002 R1 – Containment Basin Sections
Erection of the dike (General)
Drawing No.150-09-0001 R1 – Containment Basin Layout
Supply and installation of all electrical cables, including grounding cables (General)
Site erection of four (4) tanks, 1500 m^3 each (Gem Steel)
Drawing No.150-03-0001 – Diesel Fuel Farm General Arrangement
Drawing No.150-04-0001 – Diesel Fuel Farm piping Layout Plan
Supply and installation of all interconnecting piping between the site erected tanks and the Phase 1 piping (General)

After having reviewed the information submitted by the Licensee, and having determined that the submission requires additional information and clarification, the Nunavut Water Board, through Motion **#2004-60** dated March 30, 2004, hereby conditionally approves the Final Design Plan – Jericho Fuel Farm.

CONDITIONS

The following conditions shall apply under this approval.

1. General

The Licensee shall follow the details for supply and installation as described in the HATCH™ Specification Report issued for construction of the Fuel Farm at the Jericho Diamond Project. The report also specifically states under Section 4: Scope of Work, that:

i. As per Item 4.3.2 of the HATCH™ Report, the contractor shall follow the recommendations found in the EBA Engineering Consultants Ltd., Geotechnical Assessment Report. The Contractor shall cooperate fully and follow any additional recommendations of representatives of EBA who are present on site during the construction work. The final Report was not attached to the Rev.3 HATCH™ report. **The Board requests that the final version, which is to be referred to during construction, be submitted within thirty (30) days of this approval.**

ii. As per Section 4.3 Civil Phase I, the liner manufacturer's technical representatives are to be on site to supervise, assist and approve the liner installations. All drawings, instructions and recommendations of the liner manufacturer shall be followed during the preparation of the bedding, anchors and all joints required in place during installation. Joints required shall be constructed with the assistance of the manufacturer's technical representatives. The liner manufacturer's technical representatives will provide ongoing inspection during the work and final approval of the installation at the completion of the work. **The Licensee shall submit the**

manufacturer's approval along with the as built drawings within ninety (90) days following completion as required under Part D, Item 18 of Licence NWB1JER0410.

2. Additional Information

The following information is required to be submitted to the NWB ***within 14 days*** of receipt of this approval:

i. Section 4.3, Civil Phase I; 4.3.1 states that the work shall include the day tank area. Section 4.7.5 refers to the actual installation of the day tank ($64m^3$) inside the power plant day tank dike, however the sections discussing the construction and subsequent placement of the HDPE liner only refer to the tank farm. **The Board requests the Licensee confirm that the construction and installation of the day tank area at the power plant, its secondary containment dike area and specifically the liner installation will follow the same specifications and criteria as the main Fuel Tank Farm. If the construction and installation is to deviate from these specifications, a summary of the task and its requirements are to be submitted as per Section 7.5 of the HATCH™ report.**

ii. **The Licensee shall provide verification that the designed secondary containment in both Phase 1 and Phase II, for all fuel storage, meets at a minimum industry standard[1] and the regulatory requirements for fuel storage and spill containment in the event of an incident involving one or more of the fuel tanks planned for installation/use on site.**

In addition, the Board recommends that the Licensee, in the absence of an approved Spill Contingency Plan (currently under review), apply the Spill Contingency Plan submitted with the licence application until such a time as the revised plan has been approved by the Board.

iii. Provide the HDPE liner specifications as per Purchase order number 316996-PM-504 (Item 4.3.6 of the HATCH™ Report).

iv. Section 4.3.3 of the HATCH™ report refers to contractor not placing fill materials on top of snow or ice. The Board recognizes that snow accumulation, removal and subsequent placement may alter the natural quality, quantity and flow of water. The Licensee, when clearing snow and ice (which may include other debris) from the construction location to meet this requirement of the specifications, must place the material in an area designated for waste disposal that is at least thirty (30) metres above the ordinary high water mark of any water body such that the quality, quantity or flow of water is not impaired, unless otherwise authorized by the Board.

v. Section 6 of the HATCH™ report requires a Quality Assurance/Quality Control system of the Contractor be provided specific to the work described in the Specification Report. The Licensee is requested to submit the Contractor(s) QA/QC programs to the Board for review.

vi. Under Schedule D, Item 12(a) of Licence NWB1JER0410, the Final Design Plan was to include a detailed Implementation Schedule for construction of the Facility. A memo received from Tahera on February 28, 2005 gave a date of March, 2005 for the start of Phase I construction and a July/August timeframe for construction of Phase II. The NWB does not consider this to be a detailed schedule and has noted in the HATCH™ Report, under Section 7.3, that the contractor was required to provide a schedule indicating major milestones and expected duration of each task. The Licensee is requested to submit this schedule to the Board for review.

[1] CCME Environmental Code of Practice for Aboveground Storage Tank Systems Containing Petroleum Products, published by the National Task Force on Storage Tanks and the National Fire Code.

vii. In addition to the above, the NWB requests that any submission by the Contractor under Section 7.5 of the HATCH™ Report, which may have identified tasks omitted from the Specification Report, be forwarded to the Board for review.

3. Monitoring

i. Under Part A of the Reasons for Decision of Licence NWB1JER0410, the Board has recommended to DIAND that the Inspector, as designated by the Minister, monitor construction by visiting the site at least quarterly during construction and file each site visit report with the Board within sixty (60) days of each quarterly inspection. Upon these site visits, the Inspector may request additional sampling and monitoring.

   Any surface runoff from the approved construction, including the location utilized for the disposal of snow and ice resulting from the clearing of the construction site, shall meet the criteria as described in Part G, Item 6(b)[2]. The Licensee shall sample as required by the General Monitoring Plan, Part L, Item 1[3], as required by the Board or as recommended under the direction of the Inspector[4] to ensure compliance.

ii. For monitoring to meet the criteria as described in Part G, Item 6(b), the Licensee shall sample runoff from the snow and ice disposal (as described in item (iv) above) every second week with the first initial spring melt and suitable flow is observed, until completion of spring runoff.

iii. The Licensee is also reminded that monitoring shall be carried out as per Table 2 of Licence NWB1JER0410, with respect to stations JER-WQ12, Stream C1 Upstream of Carat Lake and JER-WQ13, Lake C1, in order to meet the criteria as described in Part G, Item 6(b).

iv. Schedule D, Item 12 of Licence NWB1JER0410 required a description of the procedures for hydrostatic testing of the new fuel tanks to be constructed with the Fuel Tank Farm. Specifically with respect to the water source and wash water disposal. In the memo received by the NWB from Tahera, it was indicated that the water would be obtained from Carat Lake and disposed of to the PKCA. The Board requests clarification on the disposal procedures and the availability of the PKCA during the Phase II construction of the Fuel Tank Farm during July and August, 2005.

Should you have any questions regarding the above, please contact the undersigned, or David Hohnstein, Technical Advisor Mining, at your earliest convenience.

Yours truly,

Original signed by:
Philippe di Pizzo
Chief Administrative Officer

cc Distribution list

[2] All surface runoff during construction of any facilities designed to withhold, divert, or retain such runoff (except for within the PKCA) shall meet the following criteria: Total Suspended Solids; MAC =50 mg/L, any grab 100mg/L.

[3] The Board notes that the General Monitoring Plan as required by Part L, Item 1 was to be submitted to the Board for approval within one (1) month of the effective date of this Licence.

[4] Part K, Item 6 of Licence NWB1JER0410; Additional monitoring may be requested by the Board or the Inspector and Item 8; The Licensee shall increase sampling frequency if results of such sampling indicate that the Effluent Quality Requirements provided in Part G have been exceeded, or as requested by the Board or directed by an Inspector.