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November 20, 2013

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RE: Inspection of Water Licence 2BE-ASH0611, September 16 2013

Please find attached the report on the Water License Inspection conducted at the Ashton Mining Project. Included at the end of the report is a summary of observations made during the inspection with respect to issues of non-compliance or non-conformity with the issued Water License or the Nunavut Water and Nunavut Surface Rights Tribunal Act, and any actions required as a result. Please note that this licence is a renewal of 2BE-ASH0305, which replaced the former NWB2KLA0103, responsibilities under which carry over into the newer licence.

Vaaldiam Mining Inc. remains the licensee on this project, however, Stornoway Diamond Corp. has been authorized and has accepted to act on Vaaldiam's behalf.

Please do not hesitate to contact me at the coordinates listed below. I look forward to continuing to work with you and your staff.

Sincerely,

Eva Paul
Water Resources Officer
Aboriginal Affairs and Northern Development Canada
Nunavut Regional Office
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CC: Phyllis Beaulieu, Manager of Licensing – Nunavut Water Board
Erik Allain, Manager of Field Operations – Aboriginal Affairs and Northern Development Canada



WATER LICENCE INSPECTION REPORT

Date: September 16, 2013	Licensee Rep. (Name/Title): N/A
Licensee: Vaaldiam Mining Inc.	Licence No.: 2BE-ASH0611

A request for closure of 2BE-ASH0611 was received by the Board in 2013. I conducted a file review and included this licence in my September inspection list.

Project History: The original project licence was issued to Ashton Mining in 2001 under NWB2KLA0103. This licence and four others were amalgamated in 2003 into NWB2ASH0305 (2BE-ASH0305).

Two camp locations are documented for this licence: Phantom Camp at N66°56'29.1" W111°14'56.5" (used from 2001-2008) and RJ Camp at N66°56'29.1" W111°14'56.5" (NAD83 datum) (used from 1997 – 2008). Two other camps were proposed in the 2003 licence but not used.

Drilling occurred under NWB2KLA0103; *records are not on file where drilling occurred*. Seven drill coordinates were submitted by Ashton in the 2005 annual report for 2BE-ASH0305.

In 2006 the licence was renewed as 2BE-ASH0611 and assigned to Vaaldiam Resources Ltd. as part of a joint venture agreement. APEX Geoscience Ltd. conducted the 2006 fieldwork on behalf of Vaaldiam and submitted the 2006 Annual Report. No drilling was undertaken in 2006. No work was undertaken in 2007. A Final Land Use Report was submitted to AANDC for LUP# N2003C0033 that documents the reclamation work undertaken in 2008 on these sites. A flyover inspection of the two camps was conducted by WRO Melissa Joy in 2009 and final LUP inspections by RMO Baba Pedersen were completed in 2010 and 2011.

As I felt that the two camps have been sufficiently inspected, drill holes 2 and 3 as per the 2005 Annual Report were randomly selected and inspected on September 16, 2013 (coordinates given in NAD 83) to represent the drilling activity.

Drill Hole 2 (N66°56'30.0" W113°00'08.7"): No sign of the drilling activity was evident.

Drill Hole 3 (N66°41'34.7" W112°53'04.4"): Drill hole was located. The drill rod and pieces of board were noted downslope of the core rack.

Non-Compliance with the Act or the Licence:

Part H Item 9: Drill holes shall be restored to natural conditions immediately upon completion of the drilling.

Action Required:

As one of the two randomly chosen drill sites was not adequately reclaimed, I require that reclamation be conducted and proven at all the drill locations. The work shall be conducted during the snow-free period of 2014 and a report with photographs is to be submitted by September 30, 2014.



Eva Paul
Water Resources Officer

November 20, 2013

Date



PHOTOS OF SEPTEMBER 16 2013 INSPECTION



Figure 1. Core rack upslope from Drill hole 3 (approx. N66°41'34.7" W112°53'04.4").



Figure 2. Drill hole 3 with drill rod and boards remaining (N66°41'34.7" W112°53'04.4").