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Submitted Via E-Mail  
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October 16, 2007

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**RE: Water License Inspection of High Lake Exploration Project July 1st, 2007**

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Mr. Tom Collett, camp manger for the High Lake Project who accompanied the Inspector during the inspections of Lupin Mine, Ulu Mine, the High Lake Exploration Project and Izoc Camp. This tour of inspections taking up the following dates July 1<sup>st</sup> through to the 2<sup>nd</sup> 2007.

The following report is based on observations made at the time of the inspection at High Lake Exploration Project and items outlined during a review of the terms and conditions of the license with the Mr.Collett.

Immediately following the inspection an Industrial Water Use Inspection Report outlining any concerns was signed by both Mr. Collett and the Inspector.

**Part A: Scope and Conditions**

No issues were found with respect to the location of the camp as it relates to the information contained within the current license. The current license was issued in May of 2007 and is a renewal.

The license, as issued, remained a Class B license classed as mining and milling as indicated on the license form.

**Part B: General Conditions**

The issue of water use fees and security were not included within the context of this inspection.

A review of the Nunavut Water Board FTP – Public Registry was conducted during the writing of this report. A 2006 Annual report filed by Wolfden Resources was found. The report however did not include an analysis of the Baseline water quality sampling required under Amendment 1 of the previous license. As it is noted that On-ice drilling was planned for 2007 these results should have been submitted with the annual report. If these results have been forwarded to the Nunavut Water Board under separate cover the licensee is asked to forward these results to the Inspector upon receipt of the inspection report.

The proponent is reminded that an annual report is required to be filed by March 31<sup>st</sup> 2008 for the year ending December 31<sup>st</sup> 2007. The annual report must include but should not be limited to those items listed in Section 2 (i) through (vi) of this Part. Failure to file a complete report as outlined in the license is a



violation of the Act and will subject the licensee to the enforcement measures and penalties provided for under the Act.

It was noted during the inspection period that the water in High Lake has a sufficiently high concentration of Aluminium and trace metals that the lake does not support freshwater fish such as Char. Additionally, it should be noted that because of the concentrations of metals within the lake the water is not used for human consumption. This information was provided by Tom Collett at the time of Inspection. Based on this no samples of water from the lake were collected.

The licensee is reminded that it is the responsibility of the licensee to ensure that any documentation submitted by the licensee to the Nunavut Water Board is acknowledged by the Manager of Licensing.

### **Part C: Conditions Applying to Water Use**

At the time of the inspection the licensee was allocated the use of 100 Cubic meters of water per day for all purposes. Domestic use is to come from High Lake and from adjacent sources to the drilling operations for use in exploration drilling activities.

An inspection of the pumping facilities at the intake was conducted and found to be in good order.

### **Part D: Conditions Applying to Waste Disposal**

During the inspection of the camp the following items were noted and brought to the attention of Mr. Collett;

- Fuel storage near the incinerator and the incinerator unit were located too close to the water of High lake and the Fuel storage did not have proper secondary containment
- Half the camp buildings are located within 30 meters of water. These buildings contained hazardous materials including, oil, grease, diesel, gasoline, drilling additive and had no visible secondary containment
- There was a D-5 or D-7 Dozer parked adjacent to the water of High Lake, well within 3 m of the water let alone 30 meters
- Fuel storage around the camp showed no evidence of secondary containment and at least one cache of 50 plus barrels was on the shoreline within 3 m of the water.
- It is unclear what the camp did with Human wastes during the 2006 or 2007 season.

The capability of the incinerator to meet the Canada-wide Standards for Dioxins and Furans and the Canada-wide Standard for Mercury Emissions was not reviewed with the proponent. The licensee is reminded that this standard must be met by the date of the next inspection if not already achieved

The Licensee is pumping the grey water back and up behind camp allowing it to run off and away from camp down hill and through a boulder field.

A review of the Nunavut Water Board web site could not find a copy of the required letter from the City of Yellowknife authorizing the licensee to back haul to Yellowknife any of the Hazardous wastes generated through the operations of the camp. If this document has been forwarded to the Nunavut Water Board under separate cover the licensee is asked to forward a copy to the Inspector upon receipt of the inspection report.

The proponent is reminded to include in the 2007 annual report due on March 31<sup>st</sup> 2008 a list of hazardous materials shipped out of the camp, the treatment received, and the location of the approved treatment facility to which they were sent. All of the foregoing is required information to be included in the annual report. Shipping and receiving invoices are not required so long as the records are available for inspection during the 2008 inspection season.



### **Part E: Conditions Camps, Access Infrastructures And Operations**

No new modifications were brought to the attention of the inspector during the period of inspection.

Section 1 of this Part states that the licensee shall not erect camps or store material on the surface of frozen streams or lakes **including immediate banks** except what is for immediate use. Camps shall be located such as to minimize impacts on surface drainage.

As noted above, the storage and placement of buildings and fuel in such close proximity to High Lake is contrary to the terms of the issued license. As such the licensee is required to either submit to the board an application for amendment to the existing license or remove these buildings, fuel caches, heavy equipment and incinerator to a location a minimum of 30 meters from the high water mark of High Lake.

The licensee is reminded that the Nunavut water Board requires a minimum of 60 days notice to consider and review all applications for amendment and modifications.

### **Part F: Conditions Applying To Drilling Operations**

No drilling activities were on going during the period of this inspection. It should be noted that the current license does not allow any land based drilling activities within 30 meters of the high water mark of any water body.

The licensee is reminded that as per Section 7 of this Part the licensee is required to establish water quality conditions prior to and upon completion of any drilling program conducted on lake ice.

### **Part G: Conditions Applying to Modifications**

No mention of modifications to the existing license was discussed during the period of inspection. The licensee is reminded that all modifications need to be consistent with the terms and conditions of the existing license and if not then will require the Nunavut Water Boards approval as set out in Section (1) of this Part.

The Licensee is reminded that Section 3 of this Part requires that the licensee provide as-built drawings, stamped by an engineer within 90s days of completion of any approved modifications.

### **Part H: Conditions Applying To Contingency Planning**

A review of the Water Board FTP site found the 2006 annual report which included a copy of a Spill Contingency Plan dated January 19<sup>th</sup>, 2007. This plan is referenced in the License and includes in Section (2) of this Part a requirement for the licensee to provide to the Nunavut Water Board, within 30 days an addendum to the filed plan to address issues raised by identified interveners.

This addendum is not posted on the Nunavut Water Board FTP site. If these results have been forwarded to the Nunavut Water Board under separate cover the licensee is asked to forward these results to the Inspector upon receipt of the inspection report.

Failure to file the required addendum as outlined in the license is a violation of the Act and will subject the licensee to the enforcement measures and penalties provided for under the Act.

Section 4 of this Part clearly outlines the requirement of the licensee to locate Fuel caches a minimum of 30 Meters from the ordinary high water mark. As was discussed with Mr. Collett, this is a clear violation of the Act and as such the licensee is required to take corrective actions.



### **Part I: Conditions Applying To Abandonment And Restoration**

As noted in the license the Nunavut Water Board has approved the Abandonment and Restoration Plan submitted by the licensee, dated January 19<sup>th</sup>, 2007.

This plan is referenced in the License and includes in Section (2) of this Part a requirement for the licensee to provide to the Nunavut Water Board, within 30 days an addendum to the filed plan to address issues raised by identified interveners.

This addendum is not posted on the Nunavut Water Board FTP site. If these results have been forwarded to the Nunavut Water Board under separate cover the licensee is asked to forward these results to the Inspector upon receipt of the inspection report.

Failure to file the required addendum as outlined in the license is a violation of the Act and will subject the licensee to the enforcement measures and penalties provided for under the Act.

### **Part J: Conditions Applying To The Monitoring Program**

The licensee is reminded to submit in their annual report all items listed in section 1, 2 and 3 of this part.

Records of all hazardous wastes transported off site along with the location and name of the approved disposal site should be included in the annual report and available for inspection during the next inspection season.

The Licensee is reminded that as per Part J item 4 of the License the licensee is required to establish baseline water quality conditions prior to drilling through lake ice. The monitoring required shall include but not be limited to;

Total Suspended Solids  
pH  
Electrical Conductivity, and  
Total Trace Metals as determined by a standard ICP Scan (to include at a minimum the following elements: Al, Sb, Ba, Be, Cd, Cr, Co, Cu, Fe, Pb, Li, Mn, Mo, Ni, Se, Sn, Sr, Tl, Ti, U, V, Zn), and  
Trace Arsenic and Mercury

These results are to be submitted with the annual report.

### **Non-Compliance:**

During the inspection a number of items were noted and discussed with Mr. Tom Collett. These issues required corrective action to be undertaken prior to the date of the next inspection and submission of a record showing these activities had been completed was requested. Specifically these were;

- Marshalling of hazardous materials without secondary containment
- Fuel storage (barrels) without secondary containment
- Fuel storage too close to water
- Buildings and infrastructure too close to water
- Incinerator and waste fuel too close to water
- Heavy equipment parked too close to water

Upon review of the Nunavut Water Board FTP site and in reviewing the terms and conditions of the issued license the following items were noted.

- Addendums to the Spill Contingency and Abandonment and Restoration Plans not submitted as required.



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

Failure to file the required addendums as outlined in the license and a failure to address the above noted issues of Non-compliance will be treated as a violation(s) of the Act and will result in the licensee being subject to the enforcement measures and penalties provided for under the Act.

During the period of the inspection no water samples were collected.

**Andrew Keim**  
**Inspector's Name**

***Original signed and mailed***  
**Inspector's Signature**

Attached under separate cover;  
Photos taken during Inspection of July 1<sup>st</sup> 2007, 2007

Cc:  
Peter Kusugak – Manager Field Operations Section- Indian and Northern Affairs Canada  
Phyllis Beaulieu – Manager licensing – Nunavut Water Board