



Indian and Northern
Affairs Canada

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et du Nord Canada

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January 29, 2008

Allan Armitage
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RE: Water License Inspection of the Kirwan lake Property on August 12th, 2007

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Mr. Al Armitage, Senior Project Geologist, who accompanied the Inspector during the inspection of the camp site and drilling sites.

The following report is based on observations made at the time of the inspection, results of samples collected during the inspection and items outlined during a review of the terms and conditions of the license with Mr. Armitage. Immediately following the inspection an Industrial Water Use Inspection Report outlining any concerns was signed with 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 approved on September 15th, 2005 and has had two amendments issued to date. Amendment one was approved by the Nunavut Water Board on April 7, 2006 and Amendment 2 was approved on April 30, 2007.

The license, as issued, remains a Type "B" license classed initially as an Industrial Undertaking and then, under Amendment 1, as Mining and Milling on the Kirwan Lake property.

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. An annual report for the 2006 annum was located and reviewed. This report is a requirement under the terms and conditions of the current Water License and was found to be missing the required site photographs and documentation detailing the water supply facilities and other items as set out in Section 2 viii. Additionally as per Amendment 1 Section 2 (iii) a Uranium Exploration plan was noted.

The proponent is reminded that an annual report is required to be filed by March 31st 2008 for the year ending December 31st 2007. The annual report must include but should not be limited to those items listed in Section 2 (i through ix) of this part as well as any information required by the Inspector. The Licensee is encouraged to provide all information in the annual report on any on-going Progressive Reclamation activities undertaken during the year, including photographs and records of materials hauled off site.

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.



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.

It should be noted that during the period of the inspection a water meter was found not to have been installed on the water intake from Kirwan Lake. This was noted in the Inspection form and reviewed with Mr. Armitage. A meter is to be installed by the next inspection to ensure accurate volumes are included in the 2007 annual report.

Part C: Conditions Applying to Water Use

At the time of the inspection the licensee was allocated the use of 5 Cubic Meters water for domestic use and 15 CMD per drill for exploration drilling.

An inspection of the intake was conducted, it was noted that there were no meters installed for recording accurately volumes of water used by the licensee. This must be addressed by the next inspection.

Potable samples were collected at the time of the Inspection. No issues were noted in the results.

Part D: Conditions Applying to Waste Disposal

During the period of Inspection the Camp sump was found to be of insufficient depth and size to contain all of the greywater generated. This was brought to the attention of Mr. Armitage who stated that recently an inordinate amount of rainfall had contributed greatly to this issue. The Licensee is reminded that any sump must be constructed to allow settling of solids and be of sufficient size to prevent overflowing. This is to be addressed by the period of the next inspection.

Additionally, during the period of inspection the Inspector noted that a number of barrels were being used to dispose of combustible wastes (burn barrels). The Licensee is reminded that Section 2 of this part states as follows;

2. No Open Burning or on-site land filling of domestic waste is permitted.

Additionally and for clarity the current license also states in Section 3 the following;

3. The Licensee shall incinerate all combustible waste in an approved incinerator, and shall ensure that all hazardous wastes, waste oil and non-combustible waste generated through the course of the operation are backhauled and disposed of in an approved waste disposal site.

The Inspector at this time issued a verbal direction to Mr. Armitage to cease this activity and have installed an incinerator by the period of the next inspection. The Licensee is reminded to ensure that the capability of any incinerator unit installed on site meets the Canada-wide Standards for Dioxins and Furans and the Canada-wide Standard for Mercury Emissions.

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

The Licensee is also reminded that section 5 of the current license outlines the requirement for Latrine pits to be located a minimum of 30 meters from the ordinary high water mark of any water Board.

Part E: Conditions For Camps, Access Infrastructures and Operations

No new construction was found by the inspector. All construction appeared to be within the terms of the existing license.



Part F: Conditions Applying To Modifications

No modifications were brought to the attention of the inspector during the period of inspection. A search of the Nunavut Water Board FTP site did not locate a request for modification during the writing of this report.

Part G: Conditions Applying To Contingency Planning

A review of the Water Board FTP site during the writing of this report found a Spill Contingency Plan dated March, 2007 in accordance with the issued amendment. The Licensee is reminded to ensure that as an addendum to the 2007 annual report a revised Spill Contingency Plan that includes Item 8 of Amendment 2 in the content of the revision.

The Licensee is reminded that **All spills** are to be documented and reported to the **24 hour Spill Line at (867) 920-8130**. Additionally, the Licensee is reminded that as per Section 6 (iii) of this Part the Licensee is required to submit a detailed report on each spill occurrence no later than 30 days following the initial event.

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.

The proponent is reminded that secondary containment for all fuel storage locations is required as it prevents uncontrolled and accidental discharges to water and the environment. This includes fuel stored at the camp and at all other locations. Cuttings and wastes generated while drilling must also be contained. It was noted during the period of inspection that there was limited secondary containment at the camp and none at the drill site. This must be addressed by the 2008 Inspection season

Part H: Conditions Applying To Abandonment And Restoration

A review of the Nunavut Water Board FTP site found a document entitled the Abandonment and Restoration Plan dated March 2007.

No discussion on the plan was undertaken during the period of inspection and as noted the camp appears to be growing. The camp is well organized however issues remain with the lack of secondary containment, inadequate sumps and lack of an incinerator. These issues as well as those that remain with the drilling and drill waste management will be reviewed in the coming inspection season and will play a role in any revisions to the submitted Plan.

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 I: Conditions Applying To The Monitoring Program

The Licensee is reminded to include in the 2007 Annual Report under the heading Monitoring Plan, due for submission to the Nunavut Water Board no later than March 31st 2008, the following information;

- Volumetric summary of water use for all purposes for the 2007 year
- GPS coordinates for all water sources
- GPS coordinates for all locations where waste was deposited
- Results of monitoring of drill sumps and core storage areas where mineralization has been encountered
- If any on ice drilling was conducted, submission of water quality sample results collected in accordance with Section 9 of Amendment 1.

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 J: Conditions Applying To Drilling Operations (as added by Amendment 1)

During the period of inspection two drill sites were visited. The Inspector noted that no drill sump had been created to capture drill cuttings or sludge from the returns off the drill. This had resulted in drill cuttings and wastes building up under the drill platform and migrating with the returns downstream into the surrounding area. Drill cuttings were noted over 30 meters from the drill platform and appeared to be continuing to migrate downhill toward an unnamed lake.

This was brought to the attention of Mr. Armitage.

Additionally, during the period of inspection of the drill site the following was noted;

- No secondary containment was present on site.

All of these issues were brought to the attention of Mr. Armitage at the time of the inspection.

Immediately following the inspection of the drill sites a verbal direction to take remedial action on these sites was provided to Mr. Armitage. Section 5 of the current license and Amendment 1 read as follows;

5. The Licensee shall ensure that all drill cuttings and any return water and sludge that can not be re-circulated, including CaCl in any quantity or concentration, be disposed of in a Sump located at least thirty (30) meters above the ordinary high water mark of any adjacent water body, where direct flow into a water body is not possible and no additional impacts are created.

For greater certainty Section 6 reads as follows;

6. Drill mud solids or cuttings with a uranium concentration greater than 0.05 percent is to be collected and then disposed of down the drill hole and sealed.

Given the conditions outlined in Section 6 it would seem clear that all cuttings must be contained pending a determination of the existence of mineralization. If cutting are not management properly it would then be impossible to adhere to the direction provided in Section 6.

It was recommended that Mr. Armitage provide photographic evidence of the remedial actions taken at the drill sites and to provide this information via E-mail to the inspector once completed. To date this documentation has not been received by the inspector. The licensee is reminded that patterns of non-compliance are of great concern to the inspector, subsequent inspections will be carried out on this site and will be a focus for future inspectors.

The licensee is cautioned that continued operations in non-compliance with the terms and conditions of the issued water license and Act will result in the licensee being the subject of the enforcement measures and penalties provided for under the Act.

Non-Compliance:

During the inspection a number of items were noted and discussed with Mr. Armitage. These issues required corrective action to be undertaken prior to the date of the next inspection and in some cases the submission of a record indicating compliance was requested. Specifically these were;

- Records, including the quantities, of hazardous materials transported off site
- Open Burning – Installation of an approved incinerator
- Fuel storage (barrels) without secondary containment
- Spill kits and signage.
- Lack of secondary containment at the helicopter fuel transfer area



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- Drill waste management and containment.
- Metering equipment to be installed on pump intake at both the camp and the Drill
- Accurate record keeping of potable water utilization

During the period of the inspection water samples were collected from the potable source.

Andrew Keim
Inspector's Name

Inspector's Signature

Attached under separate cover;
Photos taken during Inspection of August 12th, 2007

Cc:

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