



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

INAC Field Operations
P.O. Box 100
Iqaluit, NU X0A 0H0

Feb 3, 2010

Silvermet Corporation (Silvermet Inc.)
8 King Street East, Suite 1704
Toronto, ON M5C 1B5



File: 2BE-MSX0712
CIDM# 387794

Re: Notice of Non-Compliance, Contravention of Water Licence 2BE-MSX0712
Location of camp within 30 meter high water set back

During inspections of the Silvermet Camp in 2007, 2008, and 2009, under water licence 2BE-MSX0712 (the "Water Licence"), issues of non-compliance with the terms and conditions of the licence were found at the site by both Water Resource Officers and Resource Management Officers (Permit # N2007J0012).

The camp has been constructed within a confined land space jutting out onto the Lake, and sloping downward to the water. As such, the majority of camp infrastructure and camp activities occur within 30 meter of the high water mark, which include waste disposal (i.e.: sumps, latrine locations), fuel storage and refuelling activities. The physical characteristics of the site in addition to the proximity of the camp to the water, and combined with a lack of off-season monitoring, pose an unnecessary and serious risk to the environment. Site inspection photographs from 2008 and 2009 are enclosed for your reference.

Aurora Geosciences Ltd (on behalf of the Licensee, Silvermet Inc.) submitted a Request for Amendment (Exemption) to the Nunavut Water Board (NWB) to allow camp infrastructure, fuel and sumps to remain within the 30 meter high water mark. This request was reviewed by the NWB and was subsequently denied: it was determined that the existing the terms and conditions of the Licence would remain in effect without change (letter dated November 10, 2008).

In 2009, a site visit on July 29, 2009 (Resource Management Officer –Kitikmeot Region) confirmed that camp infrastructure remains in place and that fuel is being stored within the 30 meter high water mark. In particular:

- Four barrels of fuel were left within one meter of the water, near the floating dock;
- Secondary containment structures had collapsed (near former helicopter apron area);
- The latrine shack has been relocated over the second sump constructed by Aurora Geosciences (behind tent frame shacks); and
- Land Use Permit N2007J0012 is currently expired.

To date, the Licensee has not yet submitted a plan for compliance, provided a current record of progressive reclamation activities, or demonstrated evidence of additional monitoring activities.

As well, we understand that the land use permit for this site has expired and cannot be renewed due to non-compliance with the terms and conditions set out in the permit. The Licensee is reminded that without a valid land use permit the Licensee cannot occupy this site.



In an effort to facilitate compliance, please confirm your intentions with respect to the use of the site and the major issues of non-compliance, namely the relocation of the camp to a more suitable area and the proximity of fuel to the Lake. As well, please provide a plan addressing how and when the issues identified will be mitigated. This plan should provide proposed coordinates for the relocation of camp infrastructures and fuel storage, include mitigation and monitoring measures which are to occur in the interim, and a plan for the abandonment and restoration of the current camp location

If I have not received a satisfactory response from you by Feb 28, 2010, I will determine appropriate action to be undertaken forthwith pursuant to the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*.

Should you require more information or clarification please contact the undersigned.

Melissa Joy

Inspector

Original signed by

Inspector's Signature

Melissa Joy
Water Resource Officer, Kitikmeot Region
Indian & Northern Affairs Canada
PO Box 100, Iqaluit, NU X0A 0H0
E-mail: Melissa.Joy@inac.gc.ca
Ph: (867) 975-4548
Fx: (867) 979-6445

Enclosures:

1. Inspection Photographs, July 29, 2009
2. Inspection Photographs, August 3, 2008

Cc:

Peter Kusugak – Manager of Field Operations, Indian & Northern Affairs Canada
Spencer Dewar – Manager of Land Administration, Indian & Northern Affairs Canada
Phyllis Beaulieu – Manager Licensing, Nunavut Water Board
Corey Segboer – Aurora Geosciences Ltd