

November 21, 2012

Karén Kharatyan, Ph.D
Technical Advisor
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
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Via email: k.kharatyan@nunavutwaterboard.org

**Re: NWB Water License 2BE-QIL0712 – Renewal/Amendment Application
Response to Comments**

Dear Ms. Kharatyan,

Following please find responses to comments received regarding the above referenced renewal/amendment application.

**AANDC, Water Resources, Nunavut Regional Office
Comments dated August 20, 2012**

General

- *Applications in association with this project have been submitted to the Nunavut Planning Commission (NPC) and the Nunavut Impact Review Board (NIRB). Upon closer inspection it appears that the NPC conformity determination for the project issued on March 21, 2012 only references the application submitted to AANDC and not the Nunavut Water Board ("NWB"). The NPC will be contacted and a new conformity determination for the NWB application will be sought.*
- *The area for the proposed sampling activity does fall within the municipal boundary of the hamlet of Repulse Bay. An application for land use was submitted to Community and Government Services on October 20, 2012.*
- *There will be no drilling conducted during the proposed term of the new water license.*
- *An application to dispose of waste at the solid waste management facility in Repulse Bay was obtained from the SAO and a brief discussion was held about the waste disposal needs associated with the project when representatives from Stornoway Diamond Corporation ("Stornoway") were in the hamlet to hold community information meetings in September of 2012. The application will be submitted once the logistics for the project (fuel storage scenario, etc.) are fully determined and a copy of the authorization will be sent to the NWB. The*

proponent asks that the issuance of the license from the NWB not be dependent upon the issuance of the official authorization of waste disposal from the hamlet.

- Community information meetings were conducted for the project in September of 2012. On September 27, 2012 representatives from Stornoway held a meeting with the mayor and council of Repulse Bay and on September 28, 2012 a community meeting was held and all interested community members were invited to attend. A summary of these meetings has been submitted to the NWB and to NIRB.*
- The fuel drums that are referenced in this comment were stored on an esker close to the seasonal camp of the previous owner. This fuel cache was reported to both Andrew Keim, Water Resources Officer and Peter Kusugak Manager - Field Operations as is required. The drums have since been removed and there are currently no fuel drums or any equipment stored on the land by Stornoway in association with this project.*
- Following the sampling activities proposed in this application all fuel drums and equipment will be removed from the site at the end of the land use operation.*
- The sample area/kimberlite is very close to the surface, is covered by very little overburden and the trench(es) that will be dug will be very shallow (no deeper than 1.2 meters). The ground in the area is permafrost and therefore there is no expectation that any groundwater will access the trenching area.*

Spill Contingency Plan

- The NWB will be notified of the fuel storage scenario that will be implemented as soon as is practicable.*
- An updated schematic will be submitted to the NWB within 14 days (or as soon as is practicable) following the mobilization of fuel and equipment to the land use area.*
- The Spill contact information will be changed in the Spill Contingency Plan for the Qilalugaq Project as per this directive. A revised copy of the plan will be submitted to the NWB under separate cover.*
- The listing provided is an inventory of the "typical" contents of a "Large Spill Kit". The absorbent used would be the granular absorbent that accompanies such spill kits and is sold for such purpose. Granular absorbent used to mediate the effects of a spill would be placed into the heavy duty disposal bag which is a part of the inventory of the spill kit. The disposal bag would then be securely closed and placed into the plastic bucket which contains the contents of the spill kit. The contents of the bag would then be treated as hazardous waste and disposed of appropriately.*
- In the event of a diesel spill on muskeg burning would only be undertaken with the approval of the proper authorities. The Spill Plan will be revised to include this statement. A copy of the revised plan will be submitted to the NWB under separate cover.*
- Spill Kits of an appropriate size will be located at all fuel storage locations and at the refueling area.*
- As per the response above an updated schematic will be submitted to the NWB within 14 days/as soon as is practicable following the mobilization of fuel and equipment to the land use area. It is not feasible at this early stage to predict the precise site infrastructure and therefore providing a schematic illustrating all of the areas requested is not practicable. Once the crew and equipment have been mobilized to the area a detailed schematic will be created. The proponent has made many attempts to speak with a representative at CLEY regarding the possibility of known archaeological sites in the area, etc. and has been unsuccessful. The proponent will continue their efforts to make contact and will add any pertinent information to the schematic when/if it becomes available. During the previous exploration programs*

conducted by the proponent which have included a great deal of prospecting and traversing over the land no potential archaeological sites have been encountered. There are known quad trails in the area that have been established by individuals conducting traditional land use activities; however none cross directly over the identified land use area.

- *The proponent will insure that the Material Safety Data Sheet for oil is included in Appendix III of the Spill Plan for the Qilalugaq Project. A copy of the revised plan will be submitted to the NWB under separate cover.*

Abandonment and Restoration

- *All extracted rock will be removed from the area and therefore no stockpiles will be created.*
- *All equipment, site infrastructure, site material, fuel and waste will be removed from the area upon completion of the land use operation.*
- *There have been no drilling activities conducted under the authority of this water license. The proponent has not conducted any drilling activities on the property since it became the operator (and later the 100% owner) of the property.*
- *The proponent will take photographs of the area prior to the commencement of the sampling program and upon completion of the abandonment and restoration activities.*

Environmental Protection Operations Comments Dated August 20, 2012

General

- *The land use area is approximately 10 meters above local lake level and 58 meters away from the nearest lake's normal high water mark.*

Waste Disposal

- *An application to dispose of waste at the solid waste management facility in Repulse Bay was obtained from the SAO and a brief discussion was held about the waste disposal needs associated with the project when representatives from Stornoway Diamond Corporation ("Stornoway") were in Repulse Bay to hold community information meetings in September of 2012. The application will be submitted once the logistics for the project (fuel storage scenario, etc.) are fully determined and a copy of the authorization will be sent to the NWB. Please note that empty fuel drums will be crushed and shipped south for disposal as is indicated in the application and not disposed of in Repulse Bay.*
- *The proponent will insure that regulations regarding the shipment of hazardous waste are adhered to.*

Spill Contingency Plan

- *Spill kits of the appropriate capacity will be available at all fuel storage locations.*
- *A small refueling area will be designated for the task of refueling the mini tracked excavator, which will include the appropriate placement of drip trays and absorbent mats. A wobble pump will be kept at the excavation site to transfer fuel from the diesel drum to a jerry can which will then be used to refuel the excavator. As the land use area is approximately 58 meters away from the nearest lake's normal high water mark conducting refueling activities a minimum above the high water mark will be not be an issue.*

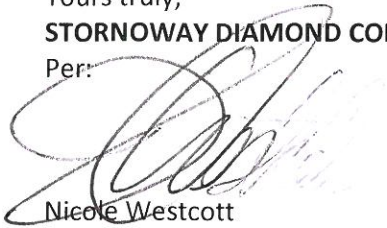
- *This recommendation will be added to the Spill Contingency Plan for the Qilalugaq Project. A copy of the revised plan will be submitted to the Nunavut Water Board under separate cover.*

If you have any questions regarding this submission or require any further clarification please contact the undersigned at your convenience.

Yours truly,

STORNOWAY DIAMOND CORPORATION

Per:

A handwritten signature in black ink, appearing to read 'Nicole Westcott', is written over the printed name.

Nicole Westcott

Manager of Regulatory and Community Affairs – Exploration