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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File No.: **2BE-QIL1217 /**
Amendment No. 1

July 21, 2015

Mike MacMorran
Stornoway Diamond Corporation
Unit 118-980 West 1st Street
North Vancouver, BC V7P 3N4

Email: mmacmorran@northarrowminerals.com
rhopkins@stornowaydiamonds.com

RE: 2BE-QIL1217 Type “B” – Amendment No. 1: Water Use for Drilling Purposes

Dear Mr. MacMorran,

Please find attached, Amendment No. 1 to Licence No. 2BE-QIL1217 Type “B” issued to Stornoway Diamond Corporation (Stornoway or Licensee) by the Nunavut Water Board (NWB) (**Motion 2015-B1-017**) pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The terms and conditions of the original Licence related to water use and waste disposal remain an integral part of this approval.

The NWB notes that there is the Nunavut Planning Commission (NPC) Conformity Determination¹ indicating that project proposal conforms to the Keewatin Regional Land Use Plan (KRLUP). Nunavut Impact Review Board (NIRB) re-issued the Screening Decision Report No.: 12EN012 dated May 4, 2012 with additional project-specific terms and conditions as per Section 12.4.4(a) of Nunavut Land Claims Agreement (NLCA).

The NWB strongly recommends that the Licensee consult the comments received by interested persons on issues identified. This information is attached for your consideration².

¹ NPC Conformity Determination sent to NIRB, dated April 1 27, 2015.

² Aboriginal Affairs and Northern Development Canada (AANDC), March 19, 2014.

Sincerely,

Thomas Kabloona
Nunavut Water Board
Chair

TK/kk/ri

Enclosure: Licence No. **2BE-OIL1217 - Amendment No. 1**
Comments – AANDC

Cc: Distribution – Kivalliq

LICENCE AMENDMENT No. 1

| | |
|------------------------|--------------------------------------|
| Licensee: | Stornoway Diamond Corporation |
| Licence No: | 2BE-QIL1217 Type “B” |
| Licence Issued: | November 28, 2012 |
| Licence Expiry: | November 30, 2017 |

Amendment No. 1 Effective Date: June 24, 2015

Pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, with respect to an application for amendment, dated February 10, 2015, and made by Stornoway Diamond Corporation (Stornoway or Licensee), the Board hereby grants the following Licence Amendment.

The Licence issued November 28, 2012 with an expiry date of November 30, 2017 shall be amended to include the following terms and conditions, with respect to the use of water and deposit of waste during activities related to exploration that includes bulk sampling with trenching at the Qilalugaq Project, to allow Stornoway for the use of water for drilling purposes related to additional exploration activities. The use of freshwater of up to 100 m³ per day shall be allotted for drilling purposes. Lakes nearby to drill targets shall be used as water supplies.

Procedural History

On February 10, 2015, the Board received an amendment (No. 1) application from Stornoway seeking Board's permission for the use of water for drilling purposes.

The Amendment No. 1 application included the following documents as supplementary information:

- *Cover letter dated February 4, 2015, received on February 10, 2015*
- *Amendment Application Form*
- *Past Work Programs and AANDC, NWB, NPC, NIRB Screening*
- *Project Community Meeting Logs*
- *Project Summary, English and Inuktitut*
- *NIRB Part 1 and Part 2 Forms;*
- *Spill Contingency Plan Qilalugaq Project, Repulse Bay, Nunavut, dated February 4, 2015; and*
- *Abandonment and Restoration Plan Qilalugaq Project, Repulse Bay, NU, dated February 4, 2015.*

On February 19, 2015, after an initial review the Board distributed the application for a thirty (30) day comment period. On March 19, 2015, submissions were received from Aboriginal Affairs and Northern Development Canada (AANDC). No concerns were expressed related to the proposed activities specifically.

AANDC provided also a list of recommended changes to the general terms and conditions of the current Licence. The Board believes that the recommended changes require further discussion between the NWB and AANDC Field Operations, and will use its discretion to implement only the changes it felt clearly augment the functionality of the Licence at the time of Licence renewal.

Spill Contingency Plan

The Licensee included an updated Spill Contingency Plan as additional information within the Amendment Application. The updated Spill Contingency Plan is found acceptable by the Board.

Abandonment and Restoration Plan

The Licensee included an updated Abandonment and Restoration Plan as additional information within the Amendment Application. The updated Abandonment and Restoration Plan is found acceptable by the Board.

LICENCE AMENDMENT No. 1

The Licence (Page ii) shall be amended to indicate the following:

DECISION

LICENCE NUMBER: 2BE-QIL1217

This is the decision of the Nunavut Water Board (NWB) with respect to an application dated March 20, 2012 for a renewal of a Water Licence made by:

STORNOWAY DIAMOND CORPORATION

to allow for the use of water and disposal of waste related to exploration that include prospecting, geological mapping, geophysical surveys, diamond drilling, bulk sampling and trenching at the Qilalugaq Project located within the Kivalliq Region, Nunavut, generally located at the geographical coordinates as follows:

Project Extents

| | | |
|-----|---------------------------|-----------------------------|
| NW: | Latitude: (66° 35' 50" N) | Longitude: (086° 08' 25" W) |
| NE: | Latitude: (66° 35' 50" N) | Longitude: (086° 07' 12" W) |
| SE: | Latitude: (66° 35' 22" N) | Longitude: (086° 07' 12" W) |
| SW: | Latitude: (66° 35' 22" N) | Longitude: (086° 08' 25" W) |

AMENDMENT No. 1

The Licence, (Page 1), shall be amended to indicate the following:

Water Management Are: **REPULSE BAY WATERSHED - 18**

Purpose: **DIRECT WATER USE AND DEPOSIT OF WASTE**

Quantity of Water use not to Exceed: **ONE HUNDRED (100) CUBIC METRES PER DAY**

PART A: SCOPE, DEFINITIONS AND ENFORCEMENT

1. Scope Amend

This Licence allows for the use of water and the disposal of waste for a Mining undertaking classified as per Schedule I of the Regulations at the Qilalugaq Project, located approximately 10 km northeast of Repulse Bay within the Kivalliq Region,

Nunavut. Activities include mineral exploration including: prospecting, geological mapping, geophysical surveys, diamond drilling, bulk sampling and trenching.

2. Definitions

Insert

“High Water Mark” means the usual or average level to which a body of water rises at its highest point and remains for sufficient time so as to change the characteristics of the land (ref. Department of Fisheries and Oceans Canada, Operational Statement: Mineral Exploration Activities);

“ICP Scan” means the laboratory method for determining trace metals in water through Emission Spectroscopy using inductively coupled plasma (including from approximately 22 to 32 elements, depending on the laboratory performing the analysis);

“Water” or “Waters” means waters as defined in section 4 of the Act.

Amend

“Regulations” means the *Nunavut Waters Regulations* sor2013/669 18th April, 2013.

PART B: GENERAL CONDITIONS

Item 1

The Licensee shall file an Annual Report on the Appurtenant Undertaking with the Board no later than March 31st of the year following the calendar year being reported, containing the following information:

Insert to the list

- g. A summary report of water use activities

PART C: CONDITIONS APPLYING TO WATER USE

Amend

Item 1

The Licensee shall obtain all freshwater for drilling purposes from local water source(s), proximal to the drilling targets as outlined in the application. The volume of water for drilling purposes shall not exceed one hundred (100) cubic metres *per* day. The volume of water for the purposes of this Licence shall not exceed one hundred (100) cubic metres *per* day.

Insert Item 5

Streams cannot be used as a water source unless authorized and approved by the Board in writing.

**Insert
Item 6**

If the Licensee requires water in sufficient volume that the source water body may be drawn down the Licensee shall, at least thirty (30) days prior to commencement of use of water, submit to the Board for approval in writing, the following: volume required, hydrological overview of the water body, details of impacts, and proposed mitigation measures.

**Insert
Item 7**

The Licensee shall equip all water intake hoses with a screen of an appropriate mesh size to ensure that fish are not entrained and shall withdraw water at a rate such that fish do not become impinged on the screen.

**Amend
PART F: CONDITIONS APPLYING TO DRILLING AND TRENCHING OPERATIONS**

**Amend
Item 1**

The Licensee shall not conduct any land based drilling within thirty one (31) metres of the ordinary High Water Mark of any water body, unless otherwise approved by the Board in writing.

**Insert
Item 9**

The Licensee shall dispose of all drill waste, including water, chips, muds and salts (CaCl₂) in any quantity or concentration, from land-based and on-ice drilling, in a properly constructed sump or an appropriate natural depression located at a distance of at least thirty one (31) metres from 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.

**Insert
Item 10**

If artesian flow is encountered, drill holes shall be immediately sealed and permanently capped to prevent induced contamination of groundwater or salinization of surface waters. The Licensee shall report all artesian flow occurrences within the Annual Report, including the location (GPS coordinates) and dates.

**Insert
Item 11**

Drilling additives or mud shall not be used in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.

Insert

Item 12

For “on-ice” drilling where drill additives are not being used, return water released must be nontoxic, and not result in an increase in total suspended solids in the immediate receiving waters, above the Canadian Council of Ministers for the Environment Guidelines for the Protection of Freshwater Aquatic Life (i.e. 10 mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100 mg/L).

Insert

Item 13

The Licensee shall establish water quality conditions prior to and upon completion of any drilling program through lake ice. Drilling additives or mud shall not be used in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.

PART J: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Insert

Item 6

The Licensee shall measure and record, in cubic metres, the daily quantities of water utilized for drilling and other purposes.

Insert

Item 7

The Licensee shall provide the GPS co-ordinates (in decimal degrees) of all locations where sources of water are utilized for all purposes.

Insert

Item 8

The Licensee shall obtain representative samples of the water column below any ice where required under Part F, Items 13 and 14. Monitoring shall include, at a minimum, the following:

pH

Total Suspended Solids

Electrical Conductivity,

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

All remaining terms and conditions of the Licence 2BE-QIL1217 Type 'B' dated November 28, 2012, still apply.

This Licence Amendment No. 1 is issued and recorded at Gjoa Haven, NU on July 21, 2015.

Approved by,

Thomas Kabloona
Nunavut Water Board
Chair