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December 12, 2007

Ms. Nicole Westcott
Land Administrator
Stornoway Diamond Corporation
Suite 860-625 Howe Street
Vancouver BC V6C 2T6
Email: nwestcott@stornowaydiamonds.com

RE: Water License Inspection of Aviat Exploration Project – July 15th, 2007

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Mr. Joe Kidston, Project Geologist and Camp Manager, who accompanied the Inspector during the inspection of the camp.

The following report is based on observations made at the time of the inspection and items outlined during a review of the terms and conditions of the license with Mr. Kidston. Immediately following the inspection an Industrial Water Use Inspection Report was signed by both Mr. Kidston and the Inspector.

Part A: Scope and Conditions

No issues were found with respect to the location of the camp as they relate to the information contained within the current license. The current license was September 9th, 2005 to the Stornoway Diamond Exploration and Strongbow Exploration Inc. and is a renewal license. The current License expires on September 30th, 2008.

The license, as issued, is a Type “B” license and is classed as mining and milling as indicated on the license form.

Part B: General Conditions

The question 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, completed by Stornoway Diamond Corp. was located.

This report is a requirement under the terms and conditions of the Water License. The annual report must include but should not be limited to those items listed in Section 1 (i) through (v) of this Part.

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 contain all items listed within Section 1 of this Part. A copy of this report should also be sent to the Inspector at Keima@inac.gc.ca.

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 Licensee is also reminded that as outlined in Section 4 of this Part the license shall install flow meters or other such devices required for the measuring of water volumes. It was noted that during the period of inspection the records for volumes of water used to date was not available for review with the Inspector.

The Licensee is reminded to have a copy of all required licenses and permits available for review on site.

Part C: Conditions Applying to Water Use

At the time of the inspection the licensee was allocated the use of 10 Cubic Meters / day of water from the unnamed lake adjacent to Camp for domestic purposes.

Water for drilling operations must not exceed 50 Cubic Meters per day. It is highly recommended that flow meters be installed on pump lines so accurate measurements can be recorded. Extrapolation of the quantity of water used based on the run time of a pump or the number of times a tank is filled is not adequate and will not be accepted in future inspections.

During the period of inspection the Inspector did collect samples from the water source adjacent to camp. Results of testing of the water show a high value for hardness however no results were returned in excess of the Canadian Council of Ministers of the Environment guidelines (CCME) for drinking water.

The Licensee is reminded to ensure screens of an appropriate mesh size are installed on the intake hoses of all pumps.

During the period of inspection the Inspector did not note any concerns with regard to activities on site causing erosion to the shoreline.

Part D: Conditions Applying to Waste Disposal

During the period of inspection no incinerator was present on site.

A review of the annual report for 2006 notes the Licensee stating the following;

“All combustible waste was incinerated daily in a burn barrel constructed/modified for this purpose, and non-combustible waste was backhauled to Igloolik for proper disposal.”

The Licensee is reminded that Section 2 of this Part states;

“ 2. No open burning or on-site land filling of domestic waste is permitted”.

The burning of wastes in a barrel constitutes open burning which is expressly prohibited under the current license. During the period of Inspection the Inspector issued a verbal direction to Mr. Kidston to cease this activity and to take measures both to remediate the site of the open burning and either secure an incinerator for the camp or make arrangements to have all wastes back-hauled to the community.

The Licensee is responsible to ensure compliance with the legislation and terms and conditions of the existing license. As such, confirmation of compliance with the Inspectors direction must be included in the 2007 annual report along with a plan to address this deficiency if operations are expected to continue into the 2008 field season.

Further instances of non-compliance will be viewed as an offence under the Nunavut water and Nunavut Surface Rights Tribunal Act and will result in enforcement actions being undertaken by the Inspector to ensure compliance.

The Licensee is reminded to ensure 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 proponent was directed during the inspection period to include in the 2007 annual report due on March 31st, 2008 a list of any hazardous materials shipped out of the camp, the treatment received, and the location of the approved treatment facility to which they were sent.

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.

During the period of inspection the Inspector noted the camp sump was not adequate and did not meet the needs of the camp. A verbal direction to enhance the sump to include proper drainage, screens and other basic steps to prevent the overflow of the grey water behind the camp was issued at that time.

A subsequent land inspection did indicate that some of the required actions had been undertaken by the Licensee. This will be confirmed during the 2008 inspection season.

It was unclear at the time of the inspection what the Licensee was doing with human wastes.

Part E: Conditions For Camps, Access Infrastructures And Operations

No issues with this section of the license were noted during the period of inspection.

Part F: Conditions Applying To Drilling Operations

During the period of Inspection the Helicopter pilot was running out of duty day and the inspection had to be cut short. No drilling was inspected during the period of this inspection but will be set for a priority for the 2008 season.

The licensee is reminded that if any on-ice drilling is planned that the Licensee shall establish baseline water quality conditions prior to undertaking this activity. These results must be submitted to the Nunavut Water Board no later than 90 days prior to the planned start of any drilling.

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 require the Nunavut Water Boards approval.

Such approval is acquired through written notification to the board 60 days in advance of the proposed modification.

Part H: Conditions Applying To Spill Contingency Planning

The Licensee was to have submitted a revised Spill Contingency Plan within 30 days of the issuance of the current license.

A review of the Nunavut Water Board FTP site could not locate the required Plan. The Licensee has provided a revised copy to the Inspector and is required to also file the Plan as an addendum to the 2007 annual report to the Nunavut Water Board.

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 licensee is reminded that a report for any spill is required to be filed with the Inspector within 30 days of the incident.

The proponent is reminded that secondary containment for fuel storage 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 including drill sites. It was noted during the period of inspection that there was very little secondary containment anywhere within the camp. This will be a priority in the 2008 Inspection season.

The licensee is reminded that section 5 of this part requires the licensee to ensure that any equipment maintenance and servicing be conducted only in designated areas and to implement special procedures to prevent spills of these products from entering the environment.

Part I: Conditions Applying To Abandonment And Restoration or Temporary Closing

The Licensee has submitted a revised Abandonment and Restoration plan to the Inspector as requested. A review of the Nunavut Water Board FTP site could not locate the required Plan. The Licensee is directed to provide a revised copy as an addendum to the 2007 annual report to the Nunavut Water Board and a copy to the Inspector.

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 licensee is encouraged to provide information on all on-going progressive reclamation activities conducted on site and noted by the inspector during the period of Inspection. This information should be included in the annual report.

The licensee is reminded that all drill holes must be permanently sealed upon completion and that the Inspector will be visiting both current and previous drill holes in the 2008 inspection season.

Part J: Conditions Applying To The Monitoring Program

The licensee is reminded that as per section 8 of this Part, the Licensee shall include in the Annual Report required under Part B, Item 2 all data, monitoring results and information required by this Part.

The Licensee is reminded that prior to conducting any On-Ice Drilling the Licensee is required to establish baseline water quality conditions. These results must be submitted to the Nunavut Water Board in the annual report.

The Licensee is reminded that to ensure compliance with Section 1 of this Part Meters should be installed on all intakes of water for all purposes.

Non-Compliance:

The Licensee is reminded that secondary containment is a requirement for the storage of fuel on site. The Licensee is required to have secondary containment at all fuel storage and fuel transfer areas. The addition of Absorbent pads or drip pans in shop and maintenance areas to ensure containment of spills while undergoing maintenance is also recommended.



The Inspector noted the following issues that were addressed with Mr. Kidston during the inspection;

- Lack of secondary containment in camp
- Inadequate grey water sump.
- Open burning
- Lack of water meters and records of water use

Andrew Keim
Inspector's Name

(Original signed and mailed this date)
Inspector's Signature

Attached under separate cover;
Photos taken during Inspection of July 15th, 2007

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