

December 20th, 2004

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
X0B 1J0

By FAX and e-Mail

RE: KIA – Benachee Resources Incorporated Water Compensation Agreement

Dear Sir:

At the water licensing hearing in Kugluktuk on December 7th, the Kitikmeot Inuit Association (KIA) advised the Nunavut Water Board (NWB) that KIA and Tahera Diamond Corporation (Tahera) had negotiated a water compensation agreement addressing the effects of the Jericho project on Inuit Owned Lands. Section 63 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWSRTA), however, requires that the "applicant" and the designated Inuit organization provide evidence of such an agreement before a water licence can be issued. What had escaped our attention was the fact that Tahera's wholly owned subsidiary Benachee Resources Incorporated (Benachee) was the applicant for the licence.

KIA advised the NWB that this was a "technical problem" and that we would work with Tahera to amend the IIBA to insert Benachee as a party in the KIA water compensation agreement.

I am pleased to advise that a revised water compensation agreement between Benachee and KIA was executed today. KIA hereby advises the NWB that Benachee, the applicant for the water licence, and KIA as the DIO for purposes of Article 20 and the landowner of the IOL affected by the Jericho project have entered into a water compensation agreement effective today. It is KIA's submission that the execution of this agreement satisfies the requirements of section 63 of the NWSRTA.

If there are any questions, do not hesitate to contact me.

Yours truly,

Original Signed By:

John Donihee
KIA Counsel

cc. Mr. Greg Missal Tahera Diamond Corporation