TAHERA
DIAMOND CORPORATION

2AM-JER/TR/G5-PKCA

June 19th, 2006

Chief Administrative Officer
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
X0B 1J0
Delivered by Fax: (867) 360-6369

Water Resources Officer
P.O. Box 278
Kugluktuk, NU
X0B 0E0

RE: Notification of intent to discharge from the Processed Kimberlite Containment Area (PKCA) to Stream C3 – Part G, Item 5 of License NWB1JER0410

Please accept this letter as Tahera Diamond Corporations letter of intent as required in Part G, Item 5 of Water License NWB1JER0410, to commence with the drawdown of the PKCA to Stream C3.

Please find attached sample results collected from the PKCA for acute toxicity as required in Part G, Item 7 (a) and (b). These samples were analyzed by HydroQual Laboratories and indicate 0% mortality to Rainbow Trout, *Oncorhyncus mykiss* and crustacean *Daphina magna*. Toxicity testing will continue to be conducted monthly as indicated by the water license. Water chemistry results from Station JER-WQ2 for parameters required in Part 5, Item 6(a) will be submitted once received from the laboratory. While discharging, samples will be collected weekly as required and submitted within the monthly SNP reports.

Should you have any additional questions do not hesitate to contact site Environmental staff at 780 644-9129.

Cheryl Wray
Environmental Supervisor

Harold Gates
Operations Manager

HydroQual Laboratories Ltd.

Trout (single concentration) Test Report

Result Summary

Client: TAH102
Reference: 06-1055-01-TRS

Client: Tahera Diamond Corporation; operation Yellowknife

Sample: PKCTOX01

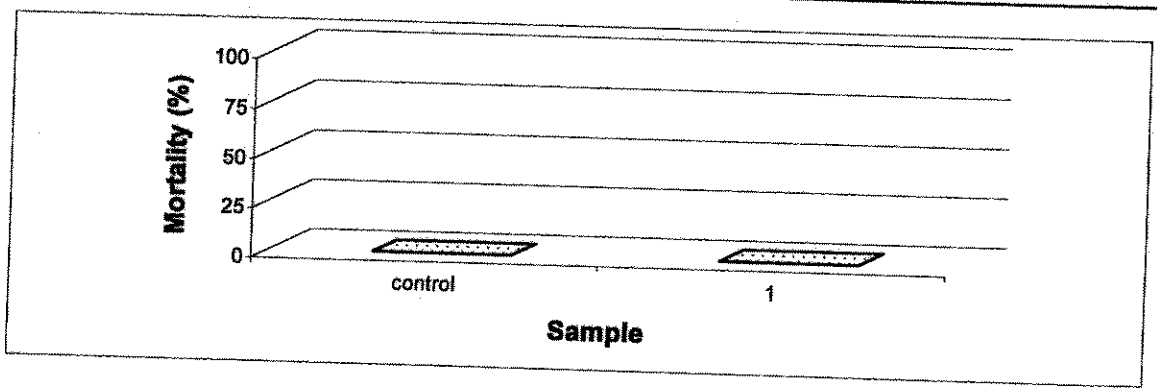
Collection: collected on 2006/05/30 at not given by CW
Receipt: received on 2006/05/31 at 1410 by L. Lamantange
Containers: received 1 x 20 L pail at 18 °C, in good condition with no seals and no initials
Description: type: water, collection method: grab

Test: started on 2006/06/01 ; ended on 2006/06/05

Contents

Result:

Sample	Client Code	Mortality (%)	Comment
control	lab control	0	
1	PKCTOX01	0	not toxic as tested



Authorized by K.Steele, B.Sc., Quality Assurance Officer
The test data and results are verified correct.

HydroQual Laboratories Ltd., #4, 6125 12th Street SE, Calgary, Alberta, Canada T2H 2K1
tel (403) 253-7121 fax (403) 252-9363 www.hydroqual.ca

Test Conditions

Client: TAH102
Reference: 06-1055-01-TRS

Method: Biological Test Method: Reference Method for Determining Acute Lethality of Effluents to Rainbow Trout, 1990. Environment Canada, EPS 1/RM/13. (amended 1996 and 2000)

Test type: Trout 96-h Static Acute Test (HQ 4.4.4.1)
Species: *Oncorhynchus mykiss*
Organism source: Ackenberry Trout Farms (Batch 20060529TR)
Acclimation: 3 days
Stock mortality: 0.6% (seven days preceeding testing)

Sample initial chemistry: pH: 7.5; EC: 176 (µS/cm); DO: 7.6 (mg/L); temperature: 18 °C
hardness (mg CaC03/L): 35; colour: colourless; odour: odourless
Sample holding time: 2 days (must be ≤ 5)
Sample storage: 4 ± 2°C in darkness

Test vessel: The test was conducted in 22 L plastic pails with polyethylene liners
Test volume: 19 Litres
Sample pre-treatment: All test solutions and controls were pre-aerated for 30 minutes
Dissolved oxygen in full strength sample was 8.8 mg/L after pre-aeration
The sample was not filtered or pH adjusted prior to or during testing
Loading density: 0.21 g/Litre (must be ≤ 0.5 g/Litre)
Control water: Dechlorinated City of Calgary water acclimated to test conditions
Test concentrations: Undiluted sample plus a negative control
Test replicates: One replicate per treatment; 10 fish per replicate
Feeding: Fish are not fed 24 hours before test initiation and no feeding during test
Measurements: pH, conductivity, dissolved oxygen and temperature measured daily
Aeration: All treatments aerated at 6.5 (±1 mL/min/L)
Lighting: Overhead full spectrum fluorescent lights; 100-500 lux at surface
Photoperiod: 16h light:8h dark
Test temperature: 15 ± 1°C

Endpoint: Mortality, % mortality at 96-h
Test validity: The control had 100% survival (must ≥ 90%)

Reference toxicant: 96-h test with Phenol (C_6H_5OH) initiated June 5, 2006; current results (96-h LC50 and 95% confidence limits) = 12.3 (10.4-14.4) mg/L Phenol

Note: Outlined sections are protocol deviations explained on the comment page; v/v, volume per volume

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HydroQual Laboratories Ltd.

Trout (single concentration) Test Report

Test Data

Client: TAH102
Reference: 06-1055-01-TRS

Test Log:

Date	Day	Time	Technician	Comment/Observation
2006/06/01	0	1100	B. Denny/M. Luong/A. Vogstad	test fish loaded at 1100 h
2006/06/02	1	1545	B. Denny/M. Luong	all test fish appear normal
2006/06/03	2	1300	B. Denny/S. Ford	all test fish appear normal
2006/06/04	3	1200	B. Denny/C.A. Martens	all test fish appear normal
2006/06/05	4	1200	S. Ford/M. Luong	all test fish appear normal

Chemistry:

Sample	control	1						

pH (units)

Day								
0	7.6	7.3						
1	7.9	7.5						
2	7.9	7.6						
3	7.9	7.5						
4	7.9	7.6						

Conductivity (µS/cm)

0	416	156						
1	407	147						
2	410	149						
3	416	149						
4	419	150						

Dissolved Oxygen (mg/L)

0	8.7	8.8						
1	8.5	8.5						
2	8.4	8.4						
3	8.5	8.6						
4	8.4	8.4						

Temperature (°C)

0	15	16						
1	15	15						
2	15	15						
3	15	15						
4	14	14						

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HydroQual Laboratories Ltd.

Trout (single concentration) Test Report

Test Data

Client: TAH102
Reference: 06-1055-01-TRS

Number Alive:

Sample	control	1						
Day								
0	10	10						
1	10	10						
2	10	10						
3	10	10						
4	10	10						

Mortality (%)

4	0	0						

Biology Summary Tables:

Control Fish	Length (cm)	Weight (g)
1	3.7	0.4
2	2.9	0.3
3	4.1	0.7
4	3.5	0.4
5	3.3	0.3
6	3.5	0.2
7	3.7	0.5
8	3.4	0.4
9	3.8	0.5
10	3.7	0.4
average	3.6	0.4
sd	0.3	0.1
cv(%)	9.1	34.2

Notes: nd, not done; na, not applicable; sd, standard deviation; cv(%), coefficient of variation

Sample	Group Weight (g)
control	4.0
1	4.1

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Comments/Statistics

Client: TAH102
Reference: 06-1055-01-TRS

Test Result Comments:
None

Data Analysis:
None

Protocol Deviations:
Test fish were held less than 14 days prior to testing

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HydroQual Laboratories Ltd.

Trout Test Report

Quality Assurance Information

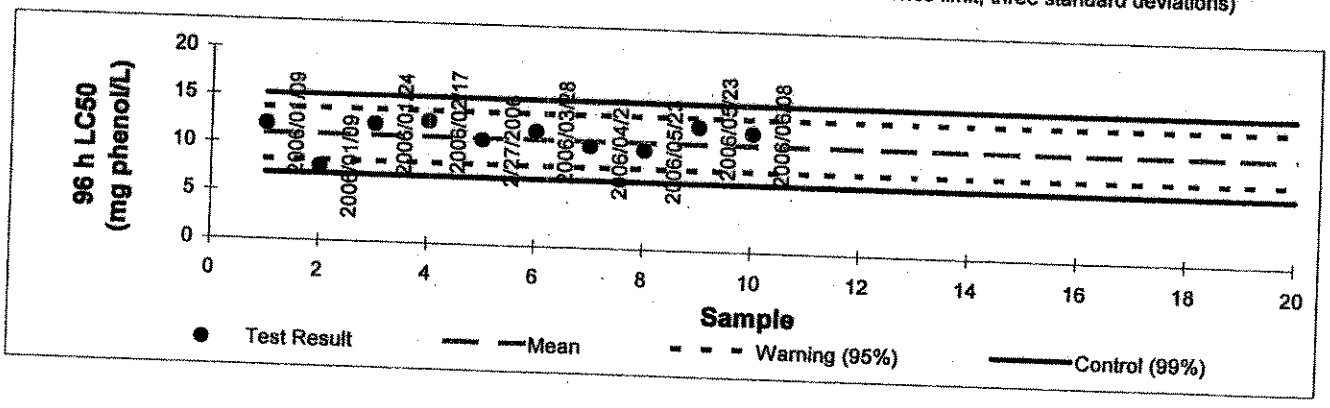
Test Method: Trout 96h Static Acute Test. (LC50, five or more treatments plus a control)
HydroQual Test Method Manual, section: 4.4.4.1
Reference: Biological Test Method: Reference Method for Determining Acute Lethality of Effluents to Rainbow Trout, 1990. Environment Canada, EPS 1/RM/13. including May 1996 and December 2000 amendments.

Test Organism:
test species: *Oncorhyncus mykiss*
culture source: Ackenberry Trout Farms
temperature (°C): 15 ± 1
dissolved oxygen: saturated
stock mortality (last 7d): 0.3%
batch number: 20060529TR

Test Design:
vol. of test vessel (L): 22
test volume depth: >15 cm
replicates per treatment: 1
fingerlings per replicate: 10
loading (g fish/L): <0.5
temperature (°C): 15 ± 1
photoperiod: 16h light: 8h dark
light level (water surface): 100-500 lux
control/dilution water: dechlorinated tap water

Warning Chart: mortality LC50 at 96 hours
toxicant: Phenol (C_6H_5OH)

Current Test: started on	2006/06/05	ended on	2006/06/08	
result (96 h LC50):	12.3	(10.4-14.4)	mg phenol/L	(95% confidence limits are in brackets)
Historical:	mean:	11.0	std.dev: 1.4	cv(%): 12
warning limits:	8.3	13.8	(lower and upper 95% confidence limit, two standard deviations)	
control limits:	6.9	15.1	(lower and upper 99% confidence limit, three standard deviations)	



Quality Assurance Unit:

Authorized by K.Steele, B.Sc., Quality Assurance Officer
The test data and results are verified correct.

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HydroQual Laboratories Ltd.

Daphnia (single concentration) Test Report

Result Summary

Client: TAH102
Reference: 06-1055-01-DAS

Client: Tahera Diamond Corporation; operation Yellowknife

Sample: PKCTOX01

Collection: collected on 2006/05/30 at not given by CW
Receipt: received on 2006/05/31 at 1410 by L. Lamantange
Containers: received 1 x 20 L pail at 18 °C, in good condition with no seals and no initials
Description: type: water, collection method: grab

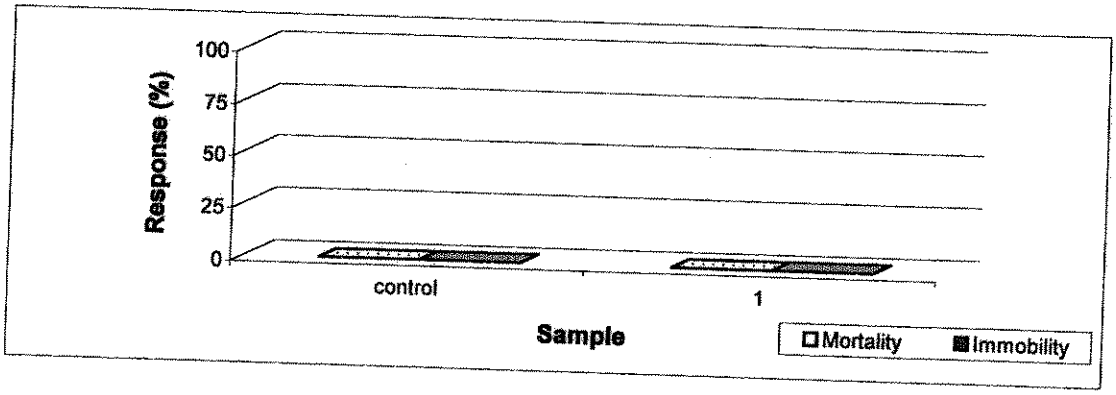
Test: started on 2006/06/01 ; ended on 2006/06/03

Contents

Result:

Sample	Client Code	Average Mortality (%)	Average Immobility (%)	Comment
control	lab control	0	0	
1	PKCTOX01	0	0	not toxic as tested

Notes: sd, sample standard deviation; cv, coefficient of variation; nd, not done; na, not applicable



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The test data and results are verified correct.

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Test Conditions

Client: TAH102
Reference: 06-1055-01-DAS

Method: Biological Test method: Reference Method for Determining Acute Lethality of Effluents to *Daphnia magna*, 1990. Environ. Can., EPS 1/RM/14. (amended 1996 and 2000)

Test type: *Daphnia* 48-h Static Acute Test (HQ 4.4.3.1)
Species: *Daphnia magna*
Age: < 24 hours old
Organism source: in-house culture
Stock mortality: 0%
Culture brood data: 10 days to first brood
25 neonates per average brood

Sample initial chemistry: pH: 7.5; EC: 176 (µS/cm); DO: 7.6 (mg/L); temperature: 18 °C
hardness (mg CaC03/L): 35; colour: colourless; odour: odourless
Sample holding time: 2 days (must be ≤ 5)
Sample storage: 4 ± 2°C in darkness

Test vessel: 385 mL plastic vessels
Test volume: 150 mL
Sample pre-treatment: The sample was not filtered or pH adjusted prior to or during testing
The sample was pre-aerated for 0 minutes (rate of 37.5 ± 12.5 mL/min.L^{-1})
The hardness of the sample was not adjusted (mg $CaCO_3$/L) prior to or during testing
Loading density: One daphnid/15 mL (must ≤ 1 organism/15 mL)
Control water: Dechlorinated City of Calgary water acclimated to test conditions
The hardness of the control/dilution water was 158 mg $CaCO_3$/L
Test concentrations: Undiluted sample plus a negative control
Test replicates: Three replicates per treatment, 10 daphnids per replicate
Feeding: None
Aeration: None
Measurements: pH, conductivity, dissolved oxygen and temperature at test initiation and termination
Lighting: Overhead full spectrum fluorescent lights; 400-800 lux at surface
Photoperiod: 16h light:8h dark
Test temperature: 20 ± 2°C

Note: Outlined sections are protocol deviations explained on the comment page

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Test Conditions

Client: TAH102
Reference: 06-1055-01-DAS

Endpoint: Mortality, % mortality at 48-h
Immobility, % immobility at 48-h

Test validity: The control had 100% survival (must ≥ 90%)
Control had 0% abnormal behaviour (must < 10%), e.g. immobility

Reference toxicant: 48-h test with NaCl initiated May 30, 2006; current results (48-h LC50 and 95% confidence limits) = 6.4 (5.7-7.5) g/L NaCl

Note: Outlined sections are protocol deviations explained on the comment page

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Test Data

Client: TAH102
Reference: 06-1055-01-DAS

Test Log:

Date	Day	Time	Technician	Comment/Observation
2006/06/01	0	1600	B. Denny	test *Daphnia* appear normal
2006/06/02	1	1040	B.Denny	test *Daphnia* appear normal
2006/06/03	2	1430	B.Denny	test *Daphnia* appear normal

Chemistry:

Sample	control			1		
replicate	a	b	c	a	b	c
Day	**pH (units)**					
0	7.9	7.9	7.9	7.5	7.5	7.5
2	7.9	7.9	7.9	7.6	7.5	7.5
	Conductivity (µS/cm)					
0	431	431	431	178	178	178
2	405	401	401	180	154	152
	Dissolved Oxygen (mg/L)					
0	8.1	8.1	8.1	7.8	7.8	7.8
2	8.0	7.9	7.9	7.8	7.8	7.8
	Temperature (°C)					
0	18	18	18	20	20	20
2	20	20	20	20	20	20

Biology:

Sample	control			1		
replicate	a	b	c	a	b	c
Day	**Number Alive and Behavior (behavior is in brackets)**					
1	10	10	10	10	10	10
2	10	10	10 (1F)	10	10	10

Notes: F, floating; I, immobile; B, stuck on bubble; D, caught in debris

	Mortality (%)					
2	0	0	0	0	0	0
	Immobility (%)					
2	0	0	0	0	0	0

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Comments/Statistics

Client: TAH102
Reference: 06-1055-01-DAS

Test Result Comments:
None

Data Analysis:
None

Protocol Deviations:
None

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HydroQual Laboratories Ltd.

Daphnia Test Report

Quality Assurance Information

Test Method: *Daphnia* Static Acute Test (LC50, five or more treatments plus a control)
HydroQual Test Method Manual, section: 4.4.3.1

Reference: Biological Test Method: Reference Method for Determining the Acute Lethality of Effluents to *Daphnia magna*, 1990. Environment Canada, EPS 1/RM/14. including May 1996 and December 2000 ammendments.

Test Organism:

test species:	*Daphnia magna*
culture source:	in-house
original culture source:	Environment Canada
days to first brood:	10
mean brood size:	25
ephippia in stock culture:	no
age of test organisms:	<24 hours old
culture mortality (%):	0

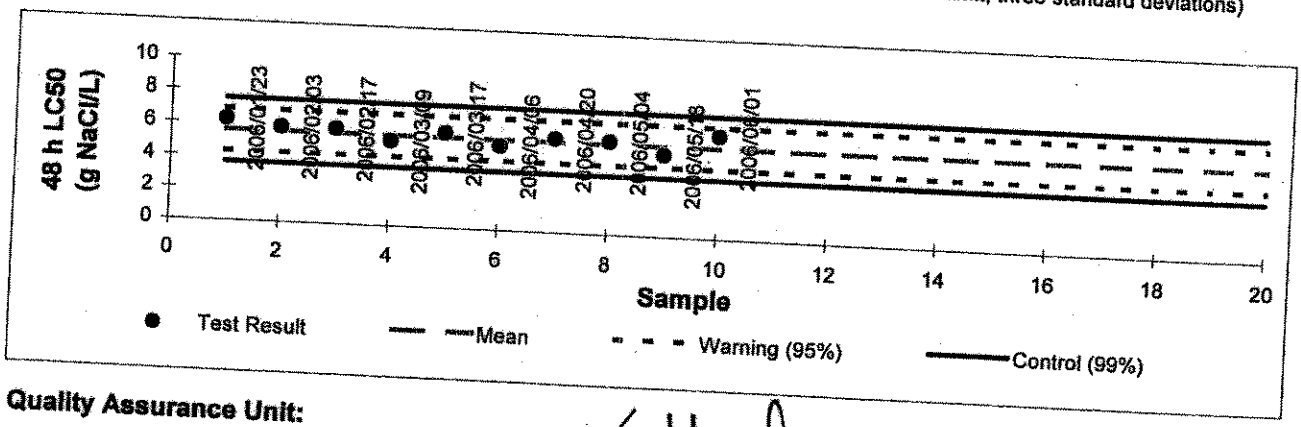
Test Design:

vol. of test vessel (mL):	500
toxicant:	sodium chloride
test volume (mL):	150
replicates per treatment:	1
neonates per replicate:	10
volume per neonate (mL):	15
samples preaerated:	no
hardness adjustment:	no
temperature (°C):	20
photoperiod:	16h light:8h dark
light level (water surface):	400-800 lux
control/dilution water:	dechlorinated tap water

Warning Chart: mortality LC50 at 48 hours
toxicant: Sodium Chloride (NaCl)

Current Test: started on 2006/05/30 ended on 2006/06/01

result (48 h LC50):	6.4	(5.7-7.5)	g NaCl/L	(95% confidence limits are in brackets)
Historical:	mean:	5.6	std. dev:	0.6 cv (%): 12
warning limits:	4.3	6.9	(lower and upper 95% confidence limit, two standard deviations)	
control limits:	3.7	7.6	(lower and upper 99% confidence limit, three standard deviations)	



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