APPENDIX TO NUNAVUT WATER BOARD

WATER LICENCE APPLICATION

3. Main Components of Undertaking

De Beers Canada Inc. - Exploration Division intends to conduct exploration activities based out of the hamlet of Baker Lake.

The duration of the program will be from approximately August 1 to September 30, 2006 with geological sampling, mapping, staking, geophysical techniques and drilling undertaken on the Crown land using a helicopter based in Baker Lake. The purpose of work in the area is exploration for kimberlites which are the host rock for diamonds. De Beers has a number of exploration permits in the area surrounding where it would like to conduct kimberlite exploration.

With respect to Inuit Owned Lands (IOL's) administered by the community of Baker Lake, the De Beers exploration program will affect the following, RI-31, BL-15, BL-16, BL-17, BL-26, BL-28, BL-29 and BL-31. Applications for access to this land have been submitted to the KIA.

Airborne geophysics is planned to take place in August. This will involve a fixed wing aircraft carrying a sensor approximately 30 m off the ground.

Ground geophysics will also be employed during the month of August using a magnetometer and a gravimeter. It is anticipated that this should be completed by the end of August 2006.

Drilling with a small platform core drill will be undertaken in September. This will test some existing targets from previous surveys and some from the geophysics that will be done in August.

At the end of the field season the all fuel caches and empty drums will be removed.

3a. Project Summary

De Beers Canada is continuing to explore for diamonds on its Baker Lake permits in 2006. The proposed work program will begin August 1 and will last until September 30. De Beers will be using Inuit people from Baker Lake as sample assistants, geophysical assistants, prospectors and expediters.

Airborne geophysics is planned to take place in August. This will involve a fixed wing aircraft carrying a sensor approximately 30 m off the ground. This should be completed by the end of August.

Ground geophysics (Mag and gravity) will be conducted by an in-house De Beers geophysical crew. This should take approximately two weeks.

Drilling is planned for September. This will test some targets from the geophysics that will be done in August.

Geological sampling, mapping and prospecting will be undertaken and will involve one or two crews supported by one helicopter. The crews will comprise 2 geologists and two Inuit assistants. The teams will move from site to site by helicopter in order to sample, prospect and carry out geological mapping. The helicopters will refuel from Baker Lake or outlying fuel caches, and all empty fuel drums and samples will be removed from the area by aircraft.

The work program will be adjusted as required to minimize the disturbance to wildlife or to avoid cultural areas considered sensitive by the local communities. When the program is over fuel caches and empty drums will be removed.

A project summary has been translated into Inuktitut and has been attached to the appendices.

4. Detailed Description of Undertaking

De Beers Canada Inc. - Exploration Division (DBCE is a Canadian diamond exploration company, which has prospected and explored for diamonds in the N.W.T and Nunavut since the early 1990's. The vast majority of the prospecting permits are on Crown Land, with up to 8 Inuit owned lands (IOL's) overlapped by the prospecting permits: RI-31, BL-15, BL-16, BL-17, BL-26, BL-28, BL-29 and BL-31

The proposed 2006-field programme will be conducted from the hamlet of Baker Lake. The duration of the proposed fieldwork will be from August 1 to September 30, with geophysics, drilling, sampling, staking, prospecting and geological mapping undertaken from this location using a helicopter. Spill kits and contingency plans are in place to deal with fuel spills in the event that they might occur. All De Beers personnel and its aircraft and helicopter sub-contractors will have had specific training in dealing with fuel spills prior to beginning fieldwork on the project. All empty drums will be removed from the field by aircraft prior to the end of the field season for transport south via the sealift.

De Beers has agreed to provide the local HTO's and other wildlife officials with any information, which it might collect regarding the movements of wildlife in the work area during the field season. The locations of all archaeological sites noted will also be passed on to the relevant organizations.

Approximately 150, 45-gallon drums of Jet A/B helicopter fuel, may be stored in the field in small fuel caches. Fuel transfer from 45-gallon drums to helicopters will make use of electric pumps that are stored on board the aircraft.

As part of De Beers spill emergency procedures, any and all fuel spills regardless of size must be reported as required to the relevant authorities and an internal report regarding the incident must be filed internally with the company. In order to ensure that spills are cleaned up in an efficient, environmentally responsible manner all De Beers personnel are given mandatory training in spill prevention and spill clean up procedures prior to entering the field. Spill kits containing absorbent material will also be located at helicopter refuelling stations and at any fuel caches. Should a spill occur, personnel are instructed to take action immediately to control the source of the spill and then begin remedial action to isolate and remove the spill contaminated material into containers which will be flown for disposal at an approved waste disposal facility.

Airborne geophysics is planned to take place at the beginning of August by UTS. This will involve a fixed-wing aircraft carrying a Magnetic and Electro Magnetic sensor approximately 30 m off the ground just to the west of Baker Lake. This should be completed by the end of August.

Follow-up ground geophysics will be conducted at the same time by an in-house geophysical crew, from De Beers Canada. This should take approximately two weeks. All this work is on crown land. The ground geophysical teams will conduct Gravity and Mag surveys over 8 predetermined geophysical targets.

The drill operation will test geophysical and geochemical targets and will be conducted with a portable core rig. The drill crew will consist of 3 people; a drill operator and 2 drill assistants. The drill rig will be helicopter supported. Drilling with a small portable core drill will be undertaken in September. This will test some existing targets from previous surveys and some from the geophysics that will be done in August.

Several Inuit persons who have worked on the project in the past will also be used to prospect directly for kimberlite in some areas. These men have proven that they can identify fragments of kimberlite in the till and allow the prospecting to target in on high interest areas much quicker than conventional sampling techniques.

Should any wildlife such as caribou be seen while exploration activities are underway, geologists are instructed to note how many animals are present, their location and to leave the area immediately. De Beers strictly prohibits the harassment of any wildlife from any of its aircraft.

It is anticipated that 2 Inuit persons from Baker Lake will work on the project during the summer. Additional employment opportunities will also arise locally for expediting services and the provision of services such as groceries, fuel and hotel accommodation.

8. Waste Disposal

The guidelines adhered to for the waste disposal will be drawn from *Land Use Guidelines for Mineral Exploration, Yukon and N.W.T.* (Indian and Northern Affairs Publication, 1994).

De Beers has spill kits on hand in order to deal with potential spills from helicopter fuel stored in drums at small fuel caches. All De Beers personnel and its sub-contractors (helicopter and aircraft contractors) will have specific training in dealing with fuel spills. In the event that a fuel spill should occur, contaminated soil and absorbent material from the spill will be flown by aircraft to a landfill facility specifically designated for fuel contaminated material in Iqaluit or to a suitable location further south if required.

10. Environmental Impacts and Mitigation Measures

The overall impact of De Beers activities on the land will be very low. Helicopters based at Baker Lake will be used to transport geology teams from site to site. Additional prospecting and geological mapping will be completed using a helicopter.

Spill kits containing absorbent matting will be used to handle any potential spills from 45 gallon drums of Jet-A/B aircraft which will be stored in small fuel caches during the field season. De Beers employees and its sub-contractors will be trained prior to the start of field work in the area on how to recognize spills and how to deal effectively with spills should they occur. It is also company policy to report all spills, as required to authorities, regardless of size.

De Beers has very strict policies for helicopters and aircraft regarding the harassment or chasing of any wildlife. The movements of migrating caribou in the work area will be monitored and reported to the local Hunter and Trappers Organizations and other wildlife officials. Up to 2 local Inuit sampling assistants working in the field will also be free to report on the impact on De Beers' activities regarding the environment or local wildlife at any time. We consider these local assistants to be the eyes and ears of the each community on our activities.

39. Baseline Data

During the summer field season all wildlife sightings will be recorded and forwarded to the Wildlife authorities.

An archaeological database of known sites for the area will been complied with the assistance of the Department of Culture, Language, Elders and Youth. All heritage and cultural sites will be avoided.