



Water Resources Division
Nunavut Regional Office
Indian and Northern Affairs Canada
Iqaluit, NU X0A 0H0

Our File: 9545-3-2BROG / CIDMS 202585
Your Reference: 2BE-BRO

April 2, 2008

Richard Dwyer
Licence Administrator
Nunavut Water Board
Gjoa Haven, NU X0B 1J0

Re: 2BE-BRO0607 / Diamondex Resources Ltd. / Peregrine Project / Qikiqtani Region / Licence Renewal and Amendment Application

Indian and Northern Affairs Canada (INAC) has reviewed the licence renewal and amendment application submitted by Diamondex Resources Ltd. for the Peregrine Project (licence 2BE-BRO0607). The company's current licence for the project allows the use of water and disposal of waste associated with camp activities and mineral exploration operations. The Peregrine Project is situated on Crown land in the Qikiqtani Region, general at 73° 26' 57" north latitude by 88° 23' 13" west longitude.

Diamondex Resources Ltd. intends to relocate its 25 person exploration camp for the current coordinates of 73° 14' 49.4" north latitude by 87° 52' 10.4" west longitude to a site with coordinates of 73° 26' 57.12" north latitude by 88° 23' 13.56" west longitude. This camp will support mineral exploration operations. Project activities include prospecting, geological mapping, geophysical surveys, and diamond drilling.

The following advice is provided pursuant to INAC's mandated responsibilities for the enforcement of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Indian Affairs and Northern Development Act*. Indian and Northern Affairs Canada recommends that these comments be considered when reviewing this licence renewal and amendment application.

General

1. The 2BE-BRO0607 licence should be renewed for five (5) years since the company's mineral exploration operations have strong probability to continue for the foreseeable future. The proposed time schedule identified in the licence application form is for one year or less.

Drilling Operations

2. Drill holes should have all rods and casings removed prior to their abandonment.

3. Upon completion of land-based drilling activities, drill holes should be sealed and capped to prevent possible vertical movement of water which may induce thermal erosion. All drill holes should be sealed at their lower and upper permafrost levels. Drill holes should be capped or sealed through the thermal active layer if artesian flows due to impervious layers and/or naturally occurring, confined salt water are encountered.

Spill Contingency

4. The Spill Contingency Plan should include a detailed diagram of the project's main fuel cache. This diagram should be set at an appropriate scale and reference the GPS coordinates, proximity to adjacent freshwater sources, base contour lines, spill response equipment, and fuel transfer area.
5. The Northwest Territory Spill Report Form included in the Spill Contingency Plan should be replaced with the Government of Nunavut Spill Report form. A copy of this form can be accessed from the Nunavut Water Board's online public registry.
6. The project's Spill Contingency Plan should be revised to include contact information for Peter Kusugak, Manager of Field Operations, INAC Nunavut Regional Office (NRO); Andrew Keim, Water Resource Officer, INAC NRO; and Kevin Robertson, Resource Management Officer, INAC NRO.

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Abandonment and Reclamation

7. The project's Abandonment and Reclamation Plan should be revised to include drill site reclamation procedures.

Indian and Northern Affairs Canada requests notification of any changes in the proposed project, as further review may be necessary. Please contact me should you have any questions or comments with regards to the foregoing. I can be reached by telephone at (867) 975-4555 or email at AbernethyD@inac-ainc.gc.ca.

Regards,

Original signed by

David W. Abernethy
Regional Coordinator

Cc. Jim Rogers, Manager of Water Resources – INAC, Nunavut Regional Office (NRO)
Peter Kusugak, Manager of Field Operations – INAC, NRO
Andrew Keim, Qikiqtani Water Resources Officer – INAC, NRO
Kevin Robertson, Qikiqtani Resource Management Officer – INAC, NRO
Phyllis Beaulieu, Manager of Licensing – Nunavut Water Board