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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYIT
OFFICE DES EAUX DU NUNAVUT

File: 2BE-CHI0813 / Amendment No. 4

March 9, 2012

Shirley Standafer-Pfister
Manager, Regulatory and Environmental Affairs
Peregrine Diamonds Ltd.
201 – 1250 Homer St.
Vancouver, BC V6B 1C6
Email: shirley@pdiam.com

RE: 2BE-CHI0813 Type 'B' – Amendment No.4

Dear Shirley Standafer-Pfister:

Please find attached, Amendment No.4 to Licence No. 2BE-CHI0813 Type "B" issued to Peregrine Diamonds Ltd., by the Nunavut Water Board (NWB) (**Motion 2011-21-L03**) pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada (Nunavut Land Claim Agreement)* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The terms and conditions of the original Licence and subsequent amendments related to water use and waste disposal remain an integral part of this approval.

The NWB strongly recommends that the Licensee consult the comments received by interested persons on issues identified¹. This information is attached for your consideration.

Sincerely,

Thomas Kabloona
Nunavut Water Board
Chair

TK/kk/pb

Enclosure: Licence No. **2BE-CHI0813 - Amendment No.4**
Comments – AANDC, EC

Cc: Qikiqtani Distribution List

¹ Aboriginal Affairs and Northern Development Canada, November 17, 2011; and Environment Canada, November 18, 2011.

LICENCE AMENDMENT No. 4

Licensee:	Peregrine Diamonds Ltd.
Licence No:	2BE-CHI0813 Type “B”
Licence Issued:	May 7, 2008
Amendment No.1 Issued:	April 17, 2009
Amendment No. 2 Issued:	July 21, 2010
Amendment No. 3 Issued:	December 13, 2010
Effective Date:	March 9, 2012
Licence Expiry:	June 1, 2013

Pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, with respect to the application for amendment dated September 29, 2011, made by Peregrine Diamonds Ltd., for the Chidliak and Qilaq Project, the Nunavut Water Board hereby grants the following Licence amendment.

The Licence issued May 7, 2008 with an expiry date of June 1, 2013, subsequently amended April 17, 2009, July 21, 2010, and December 13, 2010, , shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during camp and drilling operations, allowing Peregrine Diamonds Ltd., to undertake the following in support of the Chidliak and Qilaq Project: establish a new Temporary Camp (CH-6) near the CH-6 kimberlite to accommodate up to 30 persons for 35 days; expand the Discovery Camp to 40 persons for the period of March-June 2012; expand the existing winter-trail network to link camps to bulk-sample sites, water sources and cutting-deposition locations; and to select three (3) new water sources within the approved project area to support a bulk sampling program not exceeding a 600 tonnes bulk sample from 3-5 kimberlite bodies.

No additional water allotment is required to accommodate projected bulk sampling program activities.,

Scope

This application is for an amendment to the current licence to obtain permission for the following new components associated with a multi-phase bulk-sample program:

- Use of a large-diameter reverse-circulation (RC) drill to collect bulk-sample material as chips, and additional heavy equipment;
- Expansion of the existing Discovery camp from 24 to 40 people;
- Establishment of a new, 30-person CH-6 Temporary Camp at the geographical coordinates as follows: Latitude 64° 19' 24.76" N and Longitude 66° 31' 30.19" W; and
- Expansion of the existing winter-trail network to link camps to bulk-sample sites, water sources and cutting-deposition locations.

Bulk-Fuel Management Facility Monitoring Plan

The Amendment application submitted included a Bulk-Fuel Management Facility Monitoring Plan entitled “Bulk-Fuel Management Facility Management Plan: Chidliak Project, Baffin, NU” dated September 25, 2011, with a document entitled “Bulk-Fuel Management Facility Monitoring: Standard Operating Procedures (SOPs)”. This Plan and included document have been found acceptable and approved by the Board under Part E, Item 6.

Spill Contingency Plan

The Amendment application submitted, included a revised Spill Contingency Plan entitled “*Spill Contingency Plan, Chidliak and Adjoining Qilaq Property, and Cumberland Prospecting Permits Baffin Island, NU, (including both Crown Land and IOL Parcels) Peregrine Diamonds Ltd.*” revised September 20, 2011, with an Emergency Response Plan entitled “*Emergency Response Plan – Chidliak Project, Qilaq Project and Project on IOLs, and Cumberland Project*” dated September 26, 2011. The Board has accepted the revision to the approved Spill Contingency Plan.

Abandonment and Restoration Plan

The revised Plan entitled “*Peregrine Diamonds Ltd. General Guidelines: Chidliak and Adjoining Qilaq Property, and Cumberland Prospecting Permits, Baffin, NU, Abandonment and Restoration of Camp Facilities and Worksites*”, revised September 20, 2011 has been found acceptable by the Board. The Licensee is reminded of Part E, Item 1 which states that all structures on frozen lakes must be for immediate use.

Bulk Sampling Monitoring Plan

The Amendment application submitted included a Bulk Sampling Monitoring Plan entitled “Bulk Sampling Monitoring Plan: Chidliak Project, Baffin, NU” dated September 20, 2011, with a document entitled “Bulk Sampling Monitoring: Standard Operating Procedures (SOPs)”. This Plan and included document have been found acceptable and approved by the Board under Part J, Item 9.

Remediation Cost Estimate

The Licensee has provided the “Remediation Costs Estimate Chidliak Project, NU, September 2011 (updated)” which has been calculated to be approx. \$404,745. It was noticed that the Reclamation Costs Estimate is the same as the one submitted on September 30, 2010, and does not reflect the proposed changes to the activities. The Licensee is encouraged to update annually the Remediation Costs Estimate to capture all changes to the scope of the project. The Licensee is also encouraged to carry out progressive reclamation to minimize closure costs at the end of the project or useful life of the camps.

The Licensee is advised and should note that for the future stages of bulk sampling program, the NWB may require the Licensee to apply for an Advanced Exploration Water Licence, in which the Board may impose the requirement that financial security be furnished and maintained in a form acceptable to the AANDC.

LICENCE AMENDMENT No. 4

The Licence shall be amended to indicate the following:

PART A: SCOPE, DEFINITIONS AND ENFORCEMENT

Amend Item 1

1. Scope

This Licence allows for the use of water and the disposal of waste for a Mining and Milling Undertaking classified as per Schedule II of the *Regulations* at the Chidliak and Qilaq claims, supported from the Discovery Camp, Sunrise Camp, Aurora (or Third) Camp and CH-6 Temporary Camp within the Chidliak Project area located across the Hall Peninsula, approximately 75 km northeast of Iqaluit and approximately 133 km south of Pangnirtung, within the Qikiqtani Region, Nunavut.

- a. This Licence is issued subject to the conditions contained herein with respect to the taking of water and the depositing of waste of any type in any waters or in any place under any conditions where such waste or any other waste that results from the deposits of such waste may enter any waters. Whenever new *Regulations* are made or existing *Regulations* are amended by the Governor in Council under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, or other statutes imposing more stringent conditions relating to the quantity or type of waste that may be so deposited or under which any such waste may be so deposited, this Licence shall be deemed, upon promulgation of such *Regulations*, to be subject to such requirements; and
- b. Compliance with the terms and conditions of this Licence does not absolve the Licensee from responsibility for compliance with the requirements of all applicable Federal, Territorial and Municipal legislation.

2. Definitions

Insert Items

“Bulk Fuel Storage Facility” means the fuel storage facilities as described in drawings 1a and 1b of the Bulk-Fuel Management Facility Monitoring Plan dated September 25, 2011;

“Bulk Sampling Program” means the activities described in the amendment application dated September 30, 2011 including the Bulk Sampling Monitoring Plan dated September 20, 2011.

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1

The Licensee shall obtain all water for domestic camp use, up to a maximum of twenty five (25) cubic metres per day, and to a maximum of seventy (70) cubic metres per day for drilling. Water shall be obtained from the “Deep Hole”-McKeand River, “Contingency Lake” west of CH-6 and from “Lake west of Sunrise Camp”. The total volume of water for the purposes of this Licence shall not exceed ninety five (95) cubic meters per day.

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

Insert Item 14

The Licensee shall ensure that the bulk sampling waste rock is free of contaminants and potentially non-acid generating and no metal leaching.

PART E: CONDITIONS FOR CAMPS, ACCESS INFRASTRUCTURES AND OPERATIONS

Insert Item 6

The Licensee shall implement the Plan entitled “Bulk-Fuel Management Facility Management Plan: Chidliak Project, Baffin, NU” dated September 25, 2011, with the “Bulk-Fuel Management Facility Monitoring: Standard Operating Procedures (SOPs)” that have been approved by the Board.

Insert Item 7

The Licensee shall submit, within thirty (30) days of issuance of the amendment an addendum to the Plan referred to in Part E, Item 6 addressing the issues identified by AANDC in the application review process.

PART H: CONDITIONS APPLYING TO SPILL CONTINGENCY PLANNING

Amend Item 1

The Licensee shall implement the approved Plan entitled “*Spill Contingency Plan, Chidliak and Adjoining Qilaq Property, and Cumberland Prospecting Permits Baffin Island, NU, (including both Crown Land and IOL Parcels) Peregrine Diamonds Ltd.*” revised September 20, 2011, with an Emergency Response Plan entitled “*Emergency Response Plan – Chidliak Project, Qilaq Project and Project on IOLs, and Cumberland Project.*” dated September 26, 2011.

Amend Item 2

The Licensee shall submit, within thirty (30) days of issuance of the amendment an addendum to the Plan referred to in Part H, Item 1 addressing the relevant issues identified by AANDC and EC in the application review process.

PART I: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION OR TEMPORARY CLOSURE

Amend Item 1

The Licensee shall implement the approved Plan entitled “*Peregrine Diamonds Ltd. General Guidelines: Chidliak and Adjoining Qilaq Property, and Cumberland Prospecting Permits, Baffin, NU, Abandonment and Restoration of Camp Facilities and Worksites*”, revised September 20, 2011.

PART J: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Insert Item 9

The Licensee shall implement the Plan entitled “Bulk Sampling Monitoring Plan: Chidliak Project, Baffin, NU” dated September 20, 2011, with a document entitled “Bulk Sampling Monitoring: Standard Operating Procedures (SOPs)” that have been approved by the Board.

All remaining terms and conditions of the Licence 2BE-CHI0813 Type ‘B’ dated May 7, 2008, Amendment 1 dated April 17, 2009, Amendment 2 dated July 22, 2010 and Amendment 3 dated December 14, 2010 still apply.

This Licence Amendment issued and recorded at Gjoa Haven, NU on March 9, 2012.

Approved by,



Thomas Kabloona
Nunavut Water Board
Chair