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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BE-CHI0813

April 17, 2009

Shirley Standafer-Pfister
Peregrine Diamonds Ltd.
201 - 1250 Homer Street
Vancouver, BC V6B 1C6

Email: shirley@pdiam.com

RE: 2BE-CHI0813 Type "B" – Amendment No.1

Dear Ms. Standafer-Pfister:

Please find attached, Amendment No.1 to Licence No. 2BE-CHI0813 Type "B", issued to Peregrine Diamonds Ltd. by the Nunavut Water Board (NWB) (**Motion 2009-01-L02**) 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*. The terms and conditions of the original Licence 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 identified. This information is attached for your consideration.

Sincerely,

Thomas Kabloona
Nunavut Water Board,
Chair

TK/dc/dh

Enclosure: Licence No. **2BE-CHI0813 - Amendment No.1**
Comments - NIRB; GN-DoE, Jan 27 and Feb 6, 2009, GN-DoCLEY, January 12, 2009,
EC, February 9, 2009; FOC, February 9, 2009 and INAC, January 23, 2009

Cc: Distribution – Qikiqtani

LICENCE AMENDMENT No.1

Licensee:	Peregrine Diamonds Ltd.
Licence No:	2BE-CHI0813 Type "B"
Licence Issued:	May 7, 2008
Effective Date:	April 17, 2009

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 the Nunavut Surface Rights Tribunal Act*, with respect to the application for amendment dated November 21, 2008, made by Peregrine Diamonds Inc., the Nunavut Water Board hereby grants the following Licence amendment.

The Licence issued May 7, 2008 with an expiry date of June 1, 2013 shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during activities that include operation of two camp facilities, land based and on-ice drilling, trenching at seven proposed locations to obtain mini-bulk samples for subsequent analysis, an on-ice landing strip, transportation of heavy equipment via on-ice landing strip and an increase in water consumption at the Chidliak Project in the Qikiqtani Region. The original Chidliak base camp is located at latitude 64° 14' N and 66° 21' W and the new camp proposed at 64° 14' N and 66° 08' W.

The Board notes the concerns presented by Environment Canada and the Department of Fisheries and Oceans with respect to blasting and trenching within thirty (30) metres of a water body. Specific conditions have been added to the Licence to address the proximity of activity in order to limit impacts to the nearby glacial stream. In addition, the NWB requires that all water collected from trenches where explosives are used, is to be directed to lined sumps for containment and water quality testing prior to release.

The Licence, (Page 2), shall be amended to indicate the following:

Quantity of Water Not to Exceed: **NINETY FIVE (95) CUBIC METRES PER DAY**

PART A: SCOPE, DEFINITIONS AND ENFORCEMENT

2. Definitions

Insert **"Trench Water Containment"** means the lined sump or sumps, poly tank or other means of containment for water that has collected within the blasted trench(s) and subsequently removed for disposal upon confirmation of water quality.

Insert **"ICP Scan"** means the laboratory method for determining trace metals in water through Emission Spectroscopy using Inductively Coupled Plasma (ICP) and includes up to approximately 32 elements depending on the laboratory performing the analysis.

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, from an unnamed stream near the existing Chidliak Camp and a large unnamed lake proximal to the new, second camp. Drill water shall be obtained from local water source(s), to a maximum of seventy (70) cubic metres *per* day, proximal to the drilling targets as outlined in the application. 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

Amend Item 2 The Licensee shall not practice on-site landfilling of domestic waste or the open burning of plastics, wood treated with preservatives, electric wire, Styrofoam, asbestos or painted wood, to prevent the deposition of waste materials from incomplete combustion and or leachate from contaminated ash residue from impacting surrounding waters.

Insert Item 11 The Proponent shall direct all Water accumulated in blasted trenches to a Trench Water Containment to allow for sampling prior to release. Water collected in hand-dug trenches shall be directed to a natural depression sump, as required by Part D, Item 1.

Insert Item 12 The Licensee shall provide at least ten (10) days notification to an Inspector, prior to initiating the release of effluent from the Trench Water Containment. The notice shall include water quality results, an estimate of volume and the proposed receiving location.

Insert Item 13 All discharge from the Trench Water Containment shall be carried out in accordance with Part D, Item 1, directed to a natural depression where direct flow into a water body is not possible and no additional impacts are created. All discharges shall not exceed the following effluent quality limits:

Parameter	Maximum Concentration of any Grab Sample (mg/L)
Total Arsenic	0.50
Total Copper	0.30
Total Lead	0.20
Total Nickel	0.50
Total Zinc	0.50
Total Suspended Solids	25.0
Oil and Grease	no visible sheen
The Waste discharged shall have a pH of between 6.0 and 9.5	

Insert Item 14 The Licensee shall confirm compliance with effluent quality limits in Part D, Item 13, prior to the release of any effluent.

PART E: CONDITIONS FOR CAMPS, ACCESS INFRASTRUCTURES AND OPERATIONS

Amend Item 4 With respect to access road, pad construction or other earthworks, the deposition of debris or sediment into or onto any water body is prohibited. These materials shall be disposed a distance of at least thirty (30) metres from the ordinary high water mark of any water body or as otherwise approved by the Board in writing.

Insert Item 5 The Proponent shall not mobilize heavy equipment or vehicles for trenching or other activities unless the ground surface is capable of fully supporting the equipment or vehicles without rutting or gouging. The Proponent shall suspend overland travel of equipment or vehicles if rutting occurs.

Amend **PART F** heading to read:

PART F: CONDITIONS APPLYING TO DRILLING AND TRENCHING OPERATIONS

Delete Item 5 On-ice drilling is not authorized under this Licence.

Insert Item 5 The Licensee shall not use drilling additives or drill mud in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.

Insert Item 6 For “on-ice” drilling where drill additives are not being used, return water released must be nontoxic, and not result in an increase in total suspended solids in the immediate receiving waters above the Canadian Council of Ministers for the Environment, Guidelines for the Protection of Freshwater Aquatic Life (i.e. 10 mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100 mg/L).

Insert Item 7 The Licensee shall establish water quality conditions prior to and upon completion of any drilling program through lake ice.

Insert Item 8 Trenching within thirty (30) metres of the normal high water mark of nearby water bodies, as described within the Application submitted November 21, 2008, is permitted to take place during frozen conditions or periods of little or no water flow.

Insert Item 9 The Licensee shall, during trenching activities utilizing blasting, provide mitigation measures to prevent the transport of blast rock, explosives residues, sediment and other materials from entering water as required by Part C, Item 7 and Part E, Item 4.

Insert Item 10 The Licensee shall provide to the Board for approval in writing, at least ninety (90) days prior to beginning any additional, subsequent trenching and on-ice drilling operations, not covered by this amendment, a Trenching and Drilling Plan which shall include the following:

- a. Size and location (including GPS coordinates) of trenches and proposed drill locations on ice;
- b. Approximate dimensions (length, width and depth) of each trench;
- c. Approximate mass of sample extracted from trenches for testing;
- d. Proposed mitigation measures for the prevention of the transport of sediments, blasting residues, fly rock and other materials, from the trench area to nearby water bodies;
- e. Projected volume and quality of water discharged from each trench with potential treatment required; and
- f. The proposed monitoring program to be carried out on trench wastewater prior to discharge.

PART H: CONDITIONS APPLYING TO SPILL CONTINGENCY PLANNING

Amend Item 1 The Licensee shall implement the approved Plan entitled “Spill Contingency Plan Chidliak Project” dated January 3, 2008 and amended July 23, 2008.

Amend Item 2 The Licensee shall submit, within sixty (60) days of issuance of the Licence, an Addendum to the Plan referred to in Part H, Item 1, to address the following:

- a. Provide updated maps of the project area, including new areas for trenching and approved additional camp;
- b. Include information on the explosives use on site and cleanup/disposal procedures with respect to spills and provide current MSDS (or reference to) for each fuel and chemical product in use;
- c. Revise the reporting of spills to include the Inspector contact for INAC, the Manager of Field Operations, Peter Kusugak, Ph. 867-975-4295 and Fax. 867-975-6445;
- d. Include within the Plan, the heavy equipment used and available during the activity; and
- e. Include additional Spill Kits and response measures for fuel or chemical spills on ice, specifically at the on-ice airstrip and with respect to on-ice drilling.

PART I: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION PLANNING OR TEMPORARY CLOSING

Insert Item 15 The Licensee shall stockpile all overburden and vegetation materials removed during trenching activities for later use in reclamation/re-contouring once trenching and sampling activities are completed. Erosion prevention measures shall be provided as required by Part C, Item 7.

Insert Item 16 The Licensee shall, upon completion of sampling activities, restore all exploration trenches prior to the closure of seasonal exploration programs and removal of equipment from site. Trenches are to be in-filled and covered with stockpiled overburden materials and re-contoured to the natural terrain, providing drainage away from nearby watercourses.

PART J: CONDITIONS APPLYING TO THE MONITORING PROGRAM

Insert Item 7 The Licensee shall obtain representative samples of the water column below any ice where required under Part F, Item 7. Monitoring shall include but not be limited to the following:

- Total Suspended Solids
- pH
- Electrical Conductivity, and
- Total Trace Metals as determined by a standard ICP Scan (to include at a minimum, the following elements: Al, Sb, Ba, Be, Cd, Cr, Co, Cu, Fe, Pb, Li, Mn, Mo, Ni, Se, Sn, Sr, Tl, Ti, U, V, Zn), and
- Trace Arsenic and Mercury

Insert Item 8 The Licensee shall sample, prior to the release of any effluent from the Trench Water Containment, in order to provide confirmation of effluent quality as required by Part D, Item 13. Analysis shall include:

- | | | |
|------------------------|----------------|-----------------|
| Total Suspended Solids | Total Arsenic | Total Cadmium |
| Total Ammonia | Total Chromium | Total Copper |
| Total Cobalt | Total Iron | Total Manganese |
| Total Nickel | Total Lead | Total Zinc |
| pH | Conductivity | |

All remaining terms and conditions of Licence 2BE-CHI0813 Type ‘B’ dated May 7, 2008 continue to apply.

This Licence Amendment issued and recorded at Gjoa Haven, NU on April 17, 2009.

Approved by,



Thomas Kabloona
Nunavut Water Board
Chair