

January 30, 2005

SENT VIA FAX

FROM: Pamela Strand

TO: George Tanuyak, Mayor of Chesterfield
Fax: (867) 898-9108

RE: 2005 Churchill Diamond Project Program
Land Use Application – 4579 Nunavut Ltd.

Dear Mr. Tanuyak and Residents of Chesterfield Inlet,

On January 18, 2005, we received a letter from Andre Tautu in which he expressed concerns regarding our proposed camp location on a peninsula on Josephine Lake near the mouth of Josephine River. We also received your letter dated Jan 24, 2004. We wish to express our appreciation in having these concerns brought to our attention and to apologise for our oversight in not consulting with Chesterfield Inlet sooner.

We recognise the importance of the Josephine River and lake as a place to harvest char and want to assure you that we are currently reviewing other potential locations for a camp. There are a number of requirements that must be met in choosing the camp location. First, our requirements; that the camp be situated near a lake deep enough to provide potable water year round; the camp must be in close proximity to a natural airstrip; and, the camp must be situated centrally within our claims. Also, authorizing agencies will provide regulatory requirements which we must adhere to. These requirements state that; any petroleum storage containers, drill sumps, or any other sump must be stored at least thirty (30) metres from the high water mark of any water body, and the deposit of any deleterious substance into any water body is prohibited. These are the requirements that we must consider when selecting potential camp locations.

Based on these requirements, we have selected three alternate potential camp locations. These locations will need to be ground tested before a final site is selected. We will need to determine the water depth under ice, determine the slope of the land and mark any drainage areas. We would like to invite representatives from Chesterfield Inlet to assist us in selecting an alternative camp location.

Our company policy is to meet, and wherever possible exceed, the requirements towards protecting the environment. At the camp we will be using Pacto toilets rather than a latrine sump. Pacto toilets have bags that seal upon flushing thus containing all human waste. This will then be shipped off site for appropriate disposal. All burnable wastes will be incinerated in approved containers and non-burnable wastes will be shipped off site for disposal. All sumps will be located at least thirty (30) metres from

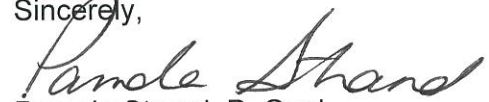
the high water mark of any lake, river or drainage system. Any known den and archaeological sites will be avoided and new sites reported immediately. As well, we have a no hunting/no fishing policy for all of our employees.

This year we will be conducting a water quality monitoring program to ensure that the presence of the camp does not affect the quality of the water of the lake water. Again, this is an opportunity for us to work with the people of Chesterfield Inlet.

Water samples will be collected under ice, prior to camp construction nearby, and throughout the field season. We can train individuals in water sample collection so that they can be actively involved in the monitoring program.

We will be arriving in Rankin Inlet on Jan 31st and will be visiting your community on Feb 1st to discuss our program in more detail. We look forward to meeting with you.

Sincerely,



Pamela Strand, P. Geol.
President and CEO

Cc: Luis Manzo and David Ningeongan, Kivalliq Inuit Association 867-645-2348



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