

DE BEERS CANADA EXPLORATION INC.
FINAL LAND-USE PLAN – KNIFE LAKE PROJECT
KNIFE LAKE AT TREE RIVER, KITIKMEOT, NU



July 2003, *TREE* 1 Claim

CLASS A LAND-USE PERMIT #N2001C0007

28 April 2004

#N2001C0007 – Knife Lake Land-Use Permit (Nunavut District – INAC)

PROJECT SUMMARY

Introduction

On behalf of a joint venture between De Beers Canada Exploration Inc. (DBCE) and Rhonda Corporation, Rhonda applied for and was issued a Class A Land-Use Permit by Indian and Northern Affairs Canada (INAC) in 2001 for exploration activities on the *TREE 1* mineral claim, West Kitikmeot, NU; this claim adjoins DBCE's four *KL* claims, the remaining claims of DBCE's Kikerk property (*cf. Map 1, "Kikerk Claims and TREE 1 Claim – Knife Lake Project Joint Venture, Regional Overview"*). The application package was completed by DBCE, which is Operator of the Knife Lake Project on behalf of the joint venture. Permit #N2001C0007 took effect on 02 May 2001, was renewed for one year, was assigned to DBCE in October 2003 and expired when DBCE's Class A Land-Use Permit #N2003C0037 came into effect on 02 February 2004. Permit #N2001C0007 authorised the conduct of exploratory drilling, sediment sampling, caching of fuel at field and drill sites, and air and ground geophysical surveying, as well as construction of a base camp to serve the project.

It should be noted that no camp was constructed for the Knife Lake Project; instead, the project was supported from DBCE's "RHL camp", 86km southeast, as well as from Kugluktuk, approximately 140km northwest. (Separate authorisations are held by DBCE for exploration of its Rockinghorse claims; therefore, RHL camp activities do not form part of this Final Plan report).

Drilling activities under Permit #N2001C0007 consisted of core-drilling from surface a total of seven diamond drillholes (DDH) over the spring season of 2001 (*cf. accompanying table, "Knife Lake/TREE 1 Drillhole History – 2001 to 2004", and Map 2, "Knife Lake/Tree River Drill Programme – 2001 – Kitikmeot, NU"*), for a grand total of 1 278.00m drilled under Permit #N2001C0007. Six DDH were lake-based and one drillhole (#KIK-01-006C) was land-based (calculated footprint of 0.005ha). A heli-portable wireline drill (LF-70) was supplied by Boart Longyear. Water usage for drilling was well within the level of 15m³/day set by the Nunavut Water Board (NWB), with maximum usage during a complete 24-hour day (two shifts) of 6.55m³/day.

This report represents the final accounting required under the terms of Permit #N2001C0007. Information provided here also would apply with respect to NWB Type B Water Licence #NWT2KIK002, which governed water use and waste disposal for the same project area.

Authorisations

There are no Inuit-Owned Lands (IOLs) within the exploration area, and all activity under the Knife Lake Project has occurred on Crown land.

To complement authorisation under Permit #N2001C0007, Water Licence #NWB2KIK0002 was in effect from 15 April 2000 until 01 July 2002; no work on the project occurred during either 2002 or 2003. (A new water licence, #NWB2KIK0405, is currently in effect). Similarly, a drilling authorisation from the Workers' Compensation Board was in effect for the 2001 Knife Lake drill programme conducted under Permit #N2001C0007. (A new WCB drilling authorisation is currently in effect). The *TREE 1* mineral claim, which Rhonda surveyed in order to take it to lease, was transferred to DBCE in July 2003.

The actual land usage under Permit #N2001C0007 was thus 0.005ha, all other usage being on lake ice, for which INAC has not historically levied a fee. (The figure of 0.005ha was used in calculations for this report and accompanying table, as this is the size allowance currently used by INAC-Yellowknife District for calculating the footprint of a core rig). In any event, it is proposed that no additional fees are owing to the Crown under Permit #N2001C0007, as all land usage is within the originally authorised limit of 3.000ha.

PROJECT LOCATION

DBCE's Kikerk Lake (Kikkikhtalik) property – originally comprised of 111 mineral claims and comprised of just four claims at the time of this permit – adjoins the *TREE 1* claim (cf. *Map 1, "Kikerk Claims and TREE 1 Claim – Knife Lake Project Joint Venture, Regional Overview"*). The current area of interest encompasses *KL 8* and *KL 10* (in 86I/14), and *KL 11* and *KL 12* (situated partially in 86I/14 and partially in 86P/03) and *TREE 1*, which adjoins *KL 12* at the west. This small claim group is located between co-ordinates 67° 00'N – 67° 01'N and 113° 08'W – 113° 12'W, near the northwest perimeter of the Slave Structural Province. The Knife Lake drill area is roughly delimited at the compass points by the Upper Tree River (north/south/east/west), and the five claims of the group are regionally delimited by Kikerk Lake (Kikkikhtalik), 20km north; by the Coronation Gulf, some 60km north; by Napaktulik Lake, 60km south; and by Kugluktuk, 140km northwest.

PROJECT HISTORY

Following initial reconnaissance in the area of Kikerk Lake (Kikkikhtalik) in 1992, DBCE (then called Monopros Limited) conducted an airborne magnetic geophysical survey in 1993 and subsequently staked a block of 111 claims (*KL* series) centred over Kikerk Lake in NTS 86 I/14-15, 86P/02-03 and 86P/06-07. Further glacial sediment sampling and geophysics were conducted in 1996 and 1997. In June 1997, INAC Class A Land-Use Permit #N97C753 was issued to cover exploration on a decreased claimblock of 71 claims.

The current five claims, which have all been taken to lease, comprise 11 320.76 acres.

No drilling occurred during the first two years of Permit #N97C753, and a one-year extension was sought so that exploratory work could continue. Prospecting did determine that the probable source of mineral indicators lay beneath a narrow, knife-shaped shallow lake of 1.1km in length, oriented SW-NE between the claim borders of *KL 12* and the *TREE 1* claim. This small lake has been informally named "Knife Lake". In spring 2000, DBCE as Monopros initiated discussions with Rhonda, which then held 100% of the *TREE 1* claim, which had been staked on 04 September 1992 by former claimholder, Noranda Exploration Co. Ltd., then exploring for copper mineralisation. On the 03 May 2000, Rhonda signed an Option Statement with Monopros, allowing Monopros to investigate a geophysical target located 200m off Monopros' property, on *TREE 1* (86P/03). The subsequent drill programme, utilising a Peak Exploration P-1000 Hydracore lightweight drill rig, was conducted between 28 May and 11 June 2000; three inclined holes were drilled, two from lake ice, with the third drilled on land. A kimberlite pipe, which was named the *Knife Lake kimberlite*, was intersected just east of the *KL 12* boundary, on the *Tree 1* claim.

A new Class A Land-Use Permit, #N2001C0007, was issued in May 2001 to cover delineation drilling of the *Knife Lake kimberlite* in June 2001. No further drilling occurred under #N2001C0007.

PROJECT TIMETABLE AND STATUS OF CLEANUP, INSPECTIONS

No outstanding issues were identified by inspectors in association with activities under Permit #N2001C0007. De Beers Canada's new Environmental Management System (EMS) took effect in January 2002, to expand upon DBCE's Environmental Policy already in place, and a mandatory programme of training in such areas as environmental awareness and fuels handling commenced for all field staff and contractors at that time; the requisite requirement for training in first-aid and WHMIS was continued. The three principles at the heart of the EMS are: regulatory compliance, prevention of pollution and dedication to continuous improvement.

The activity under Permit #N2001C0007 was a fly-in, fly-out drill programme, supported by helicopter and fixed-wing, with drillsites cleaned up before moving on to the next hole, and final worksite inspection by DBCE occurring before programme closure; there was no camp established, and a survival tent erected for the Boart Longyear drillcrew was removed at the end of the programme, so that nothing remained on site. During drilling, fuel and equipment were stored the requisite distance from water, and drill moves were accomplished by helicopter. Both combustible and non-combustible garbage were flown out on regular backhauls for proper disposal in the Kugluktuk landfill. Empty Jet-B and diesel drums were regularly backhauled to Yellowknife. Spill kits and extra bundles of absorbent pads were placed in areas of fuel and oil use (drillsite and helicopter landing area), and drip trays used under stationary equipment at the drill. Provision was made for any return generated to report to a land-based sump, but such was not required.

As the Knife Lake Project remains active, no final cleanup under the Abandonment and Restoration Plan has yet occurred. The project is now governed by Permit #N2003C0037.

WILDLIFE AND ARCHAEOLOGICAL OBSERVATIONS

In compliance with its EMS and the intentions of regulators, DBCE has protocols in place for wildlife sightings and documenting of potential archaeological artifacts. No wildlife sightings of interest were reported during the period of Permit #N2001C0007 and there were no archaeological observations recorded by field personnel. However, archaeological fieldwork on DBCE's RHL and Knife Lake area claims by a registered professional archaeologist resulted in discovery of one archaeological site near Knife Lake in 2001; subsequently, six other sites were found during a followup archaeological survey in the Knife Lake area in 2003. All archaeological sites have been GPS identified and plotted for avoidance.

CONSULTATION

Representatives of DBCE, including the undersigned, met with regulators and residents of the closest community, Kugluktuk, throughout the years of Permit #N2001C0007; an information meeting with the NWB staff was held in Gjoa Haven in 2003. Informal discussion with community leaders in Cambridge Bay occurred in both 2000 and 2004. Both business services and employees were procured in the Kitikmeot during the life of Permit #N2001C0007.

AREA OF LAND USE

Please refer to the two accompanying topographical maps (1:50 000 scale and greater) for location of the property, the nearest community (which served as a base of operations), drillhole locations under Permit #N2001C0007 and boundaries of the DBCE property. Maps included are as follows: ⁽¹⁾ Map 1 – “Kikerk Claims and TREE 1 Claim – Knife Lake Project Joint Venture, Regional Overview”, and ⁽²⁾ Map 2 – “Knife Lake/Tree River Drill Programme – 2001 – Kitikmeot, NU”.

An accounting of hectares used for land-based operations is provided on Page 1 of this report and in the accompanying table, “Knife Lake/TREE 1 Drillhole History – 2001 to 2004.”