

DE BEERS CANADA INC.

KIKERK LAKE/KNIFE LAKE PROJECT SUMMARY

From 1993 until the present, De Beers Canada Inc. – Exploration (DBCE), has prospected and explored for diamonds in the Kikerk Lake area (*Kikkiktalik*).

In order to continue to use water for our exploration activities, DBCE is requesting permission from the Nunavut Water Board (NWB) to renew our Type B Water Licence, which expires on 31 December 2005. DBCE holds a valid Class A Land-Use Permit from Indian and Northern Affairs Canada (INAC). Activities planned are the same as those contained in the current permit and the current water licence. Commencing around 01 May 2006, DBCE is proposing a 12-hole, 2 300m diamond-drill programme to better delineate the shape of the Knife Lake kimberlite body and a trenching programme to excavate 300t of kimberlite to help us better understand diamond grade and stone distribution in the body. The programme would take about 6 weeks, then all equipment would be removed.

In 2000, DBCE became operator of an exploration project situated on the “*TREE 1*” mineral claim adjoining the four remaining DBCE “*KL*” claims; this project has been concentrated on a small unnamed lake, informally known as “Knife Lake”, where DBCE intersected kimberlite in spring 2000. Core drilling at the Knife Lake kimberlite body also occurred in 2001 and 2004. In 2000 and 2001, the programme was operated out of our former Rockinghorse camp, 86km southeast. In 2004, the programme was operated out of Kugluktuk, 140km away by air. As this is a long distance to travel, DBCE has decided to erect a temporary 20-person tent camp which would be set up about a week prior to the proposed programme, in late April 2006, then be removed at the end of the programme, around 10 June 2006. This camp would be located on DBCE’s “*KL 12*” mineral claim (also known as “lease #4644”); This camp, which has already been approved by regulators, would be approximately 1.5km from the exploration area. Having a camp close to Knife Lake would result in cost efficiency and improve logistics. No activity will occur on Inuit-Owned Land.

What is proposed with this renewal application is a water licence for the maximum number of years allowable – two – with the dates being 01 January 2006 to 01 October 2008, allowing for periods when no work will occur. If results in 2006 are favourable, DBCE would propose conducting a surface bulk-sampling programme in 2007; an increase of water volume may be required at that time to accommodate water use by a large-diameter drill rig.

DBCE would like to continue its exploration activities at Knife Lake on behalf of its joint venture with Rhonda Corporation, and in doing so, intends to continue working co-operatively with regulators and the people of the Kitikmeot.