

31 December 2007

Phyllis Beaulieu  
Licensing Manager  
Nunavut Water Board  
Box 119  
Gjoa Haven, NU X0B 1J0

**Explanation to Accompany 2007 Annual Report:  
Peregrine “Type B” Water Licences  
for the Nanuq Project, Kivalliq, NU**

In providing its Annual Report of 2007 activities to the Nunavut Water Board (NWB), Peregrine Diamonds Ltd. (PDL) also would like to make a brief explanation of events, so as to avoid any confusion for readers of the 2007 Annual Report.

At the time of the 2007 activity, PDL in good faith believed that the Type B Water Licence #NWB2NAN0305 still was in effect; this licence covered both camp activities and drilling. Recently, through the helpful assistance of the NWB staff, PDL learned that another licence, #3BC-NAN0608, was actually in effect, but that #3BC-NAN0608 did not include drilling.

PDL wishes to assure the NWB that PDL would NOT have conducted drilling at that time had it known that drilling was not part of the licence, but, rather, PDL would have sought and obtained an amendment prior to such activity. PDL regrets these events, but did assure the NWB in letters submitted in November 2007 via its Chief Financial Officer that PDL accepts all liability associated with both licences, as well as all future licences and continues to maintain strict environmental care and safety measures at all its northern properties. The growing pains associated with taking over the property of Dunsmuir Ventures Ltd. – including its water-licence records – are now over and PDL intends to ensure that such situations do not reoccur.

PDL looks forward to working together with the NWB to make the Nanuq Project a success and one that is operated in full compliance.

Thank you for the opportunity to provide this explanation on behalf of PDL. Please contact me or the proponent if you have any questions.

A handwritten signature in dark ink, appearing to be 'SP' or similar initials, written in a cursive style.

Shirley Standafer-Pfister  
Senior Regulatory and Community Specialist  
(on behalf of Peregrine Diamonds Ltd.)  
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attach.

cc: Richard Dwyer, Licensing Administrator

NWB Annual Report

Year being reported: 2007

License No: #3BC-NAN0608; #NWB2NAN0305

Issued Date: 03 Feb 2006; 15 Aug 2003

Expiry Date: 30 Jan 2008; 15 Aug 2005

Project Name: Nanuq Project

Licensee: Peregrine Diamonds Ltd.

Mailing Address: 201 - 1250 Homer Street  
Vancouver, BC V6B 1C6

Name of Company filing Annual Report (if different from Name of Licensee please clarify relationship between the two entities, if applicable):

General Background Information on the Project (\*optional):

Exploration began under the previous property-holder Dunsmuir Ventures, and continued in 2006 and 2007 by current property-holder, Peregrine. Exploration in 2007 consisted of ground geophysics following by a summer drill programme.

Licence Requirements: the licensee must provide the following information in accordance with

Part B

Item 1

A summary report of water use and waste disposal activities, including, but not limited to: methods of obtaining water; sewage and greywater management; drill waste management; solid and hazardous waste management.

Water Source(s):	river at camp; lake + stream near drillsites	
Water Quantity:	10m <sup>3</sup> /day	Quantity Allowable Domestic (cu.m)
	2.27m <sup>3</sup> /day	Actual Quantity Used Domestic (cu.m)
	50m <sup>3</sup> /day	Quantity Allowable Drilling (cu.m)
	6.5m <sup>3</sup> /day	Total Quantity Used Drilling (cu.m)

Waste Management and/or Disposal

- ☒ Solid Waste Disposal
- ☒ Sewage
- ☒ Drill Waste
- ☒ Greywater
- ☐ Hazardous
- ☐ Other:

Additional Details:

Sewage of approx. 22-30L/day total reported to outhouse at camp. Camp solid waste of 80L/day burnt in camp burn barrel; rest flown out. Greywater resulting from water use of 2.27m<sup>3</sup>/day reported to camp greywater sump. Drillwater of 6.5m<sup>3</sup>/day (allowing for recirculation) reported to drillwater sumps.

#### A list of unauthorized discharges and a summary of follow-up actions taken.

Spill No.:  (as reported to the Spill Hot-line)

Date of Spill:

Date of Notification to an Inspector:

Additional Details: (impacts to water, mitigation measures, short/long term monitoring, etc)

#### Revisions to the Spill Contingency Plan

SCP submitted and approved - no revision required or proposed ▼

Additional Details:

#### Revisions to the Abandonment and Restoration Plan

AR plan submitted and approved - no revision required or proposed ▼

Additional Details:

#### Progressive Reclamation Work Undertaken

Additional Details (i.e., work completed and future works proposed)

No reclamation required from ground geophysical survey. Drillsites were cleaned, inspected + properly closed before moving on to next drillsite. Camp was cleaned up and secured prior to seasonal closure. Work anticipated in 2008.

#### Results of the Monitoring Program including:

**The GPS Co-ordinates (in degrees, minutes and seconds of latitude and longitude) of each location where sources of water are utilized;**

Details described below ▼

Additional Details:

Water for camp use drawn at: 65° 27' 37.4" - 91° 04' 04.6". Sewage to outhouse at: 65° 13' 36.9" - 91° 04' 26". Camp greywater sump at: 65° 13' 02.4" - 91° 04' 41.4". Drillwater drawn from these 2 locations: 65° 28' 15" - 91° 07' 36.3" and 65° 12' 56.99" - 91° 04' 04.6".

**The GPS Co-ordinates (in degrees, minutes and seconds of latitude and longitude) of each location where wastes associated with the licence are deposited;**

Details described below ▼

Additional Details:

Sewage reported to the outhouse within the camp and combustible kitchen wastes were burnt in the camp burn barrel, with the remaining bulky or scrap waste flown out for landfill disposal or recycling. Co-ordinates of the outhouse and greywater sump are given above (Pg. 1).

**Results of any additional sampling and/or analysis that was requested by an Inspector**

No additional sampling requested by an Inspector or the Board ▼

Additional Details: (date of request, analysis of results, data attached, etc)

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**Any other details on water use or waste disposal requested by the Board by November 1 of the year being reported.**

No additional sampling requested by an Inspector or the Board ▼

Additional Details: (Attached or provided below)

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**Any responses or follow-up actions on inspection/compliance reports**

No inspection and/or compliance report issued by INAC ▼

Additional Details: (Dates of Report, Follow-up by the Licensee)

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**Any additional comments or information for the Board to consider**

Thank you for the opportunity to provide information relative to this field programme conducted between the dates of 22 May-05 June and 04 July-14 September 2007. The drill programme consisted of 50 drilling days. The average camp population was 11 people. On Pg. 1, both licences have been listed: #3BC-NAN0608 and #NWB2NAN0305. Reporting requirements are listed in Part B, Item 2 for the current licence and Part B, Item 1 for the former licence. The former licence limits of 10m3 (camp) and 50m3 (drilling) are given on Pg. 1.

**Date Submitted:**

17 December 2007

**Submitted/Prepared by:**

Shirley Standafer-Pfister on behalf of Peregrine Diamonds

**Contact Information:**

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