



Land Administration  
P.O. Box 100  
IQALUIT, NU X0A 0H0  
Phone: 867-975-4283  
FAX: 867-975-4286

June 8, 2015

Churchill Diamond Corporation  
133 Richmond Street, Suite 501  
Toronto, ON  
M5H 2L3

Dear Paul Sobie,

**Re: Land Use Permit #N2015C0018**  
**Type of Operation: Mining (Exploration)**  
**Location: Kugaaruk Area, Kitikmeot, NU, NTS 56O, 57A, 57B**

Enclosed is your copy of Land Use permit number N2015C0018, authorizing your project as described in your application dated March 16<sup>th</sup>, 2015.

Your application has received a wide distribution to other Federal departments, Government of the Nunavut departments, communities in the area of your operation and concerned Inuit groups. In distributing your application the Nunavut Impact Review Board (NIRB) sought comments from these various agencies based on their area of expertise that will help ensure minimum negative impact on the environment. The issuance of this permit indicates that as a result of the NIRB environmental screening process it was decided that the potentially adverse environmental effects that may be caused by your proposal are mitigable with known technology and are not significant. The terms and conditions in the permit will, in our opinion, provide the necessary protection to the environment.

Please ensure that you adhere to the operating conditions, along with the Archaeological Palaeontological terms and conditions, annexed to your permit. Should you have any questions regarding any conditions of this permit, please contact Nicholas Kavanagh at (867)975-4283 or email [landsmining@aadnc.gc.ca](mailto:landsmining@aadnc.gc.ca).

Sincerely,

Nicholas Kavanagh  
Land Administration Specialist

cc: Manager, Field Operations  
RMO - Kitikmeot  
NIRB  
NPC



Aboriginal Affairs and  
Northern Development Canada

Affaires autochtones et  
Développement du Nord Canada

**LAND USE PERMIT**  
NORTHERN AFFAIRS PROGRAM

**PERMIS D'UTILISATION DES TERRES**  
PROGRAMME DES AFFAIRES DU NORD

Permit Class - Permis Catégorie

**A**

Permit No - NE de permis

**N2015C0018**

Subject to the Territorial Land Use Regulations and the terms and conditions in this permit, authority is hereby granted to:

Sous réserve du Règlement sur l'utilisation des terres territoriales et des conditions de ce permis:

**Churchill Diamond Corporation**

Permittee - Détenteur de permis

To proceed with the land use operation described in the application of:

Est autorisé à entreprendre les travaux d'exploitation des terres décrits dans la demande de permis du:

Signature

**Paul Sobie**

Date

**April 16<sup>th</sup>, 2015**

Type of Land Use Operation - Genre de travaux d'exploitation des terres

**Mining (Exploration)**

Location - Emplacement

**Kugaaruk Area, Kitikmeot, NU, NTS, 56O, 57A, 57B**

The conditions attached to this permit are incorporated into and form an integral part of the permit.

Les conditions attachées à ce permis en font partie intégrante.

This permit may be assigned, extended, discontinued, suspended or cancelled pursuant to the Territorial Land Use Regulations.

Ce permis peut faire l'objet d'une cession, d'une prolongation d'une cessation d'une suspension ou d'une annulation, en vertu du Règlement sur l'utilisation des terres territoriales.

Dated at

Date à **Iqaluit**

Engineer

Ingénieur

This

Ce **8<sup>th</sup>** jour de **June**, **2015**.

Day of

**June**

**2015**

Commencement Date

Date du début des travaux **June 8<sup>th</sup>, 2015**

Expiry Date

Date d'achèvement **June 7<sup>th</sup>, 2017**

**NOTE**

IT IS A CONDITION OF THIS PERMIT THAT THE PERMITTEE COMPLY WITH ANY OTHER APPLICABLE ACT, REGULATION, ORDINANCE BY - LAW OR ORDER. DEFAULT HEREOF MAY RESULT IN SUSPENSION OR CANCELLATION OF THIS PERMIT.

**REMARQUE**

LE DÉTENTEUR DU PRÉSENT PERMIS DOIT SE CONFORMER À TOUT AUTRE RÈGLEMENT, LOI, DÉCRET RÈGLEMENT MUNICIPAL OU ARRÊTÉ APPLICABLE. LE MANQUEMENT À CETTE OBLIGATION POURRAIT DONNER LIEU À LA SUSPENSION OU À L'ANNULATION DU PERMIS.

**Canada**

**CONDITIONS ANNEXED TO AND FORMING PART  
OF LAND USE PERMIT NUMBER N2015C0018**

Failure to comply with any term and condition issued as part of this permit is an offence under the Territorial Lands Act. Every person who commits an offence is liable, on summary conviction, for a first offence, to a fine not exceeding \$100 000, and for a second or subsequent offence, to a fine not exceeding \$200 000. Please note that an offence that is committed on more than one day constitutes a separate offence for each day on which it is committed or continued.

**31 (1) (a) - Location and Area**

1.	The Permittee shall not conduct this land use operation on any lands not designated in the accepted application, unless otherwise authorized in writing by the Engineer.	PLANS
2.	The Permittee shall remove from Territorial Lands, all scrap metal, discarded machinery and parts, barrels and kegs, buildings and building material.	REMOVE WASTE MATERIAL
3.	The Permittee shall provide exact GPS coordinates of the camp location within ten (10) days of the establishment to the Inspector and Engineer	UPDATE LOCATIONS
4.	The Permittee shall ensure that all camp structures and facilities are located on gravel, sand or other durable substance.	CAMP LOCATION
5.	The Permittee shall not construct an adit or drillsite within thirty-one (31) meters of the normal high water mark of any water body unless approval is obtained in writing from the Engineer.	LOCATION OF ADITS & DRILLSITES
6.	The Permittee shall provide updated locations of all fuel caches related to this project in Latitude and Longitude (NAD 83) from a GPS within 30 days of the establishment to the Inspector and Engineer.	UPDATE LOCATIONS

**31 (1) (b) - Time**

7.	The Permittee's Field Supervisor shall contact or meet with a Land Use Inspector at the Kitikmeot office of the Aboriginal Affairs and Northern Development Canada, phone number (867)982-4306, at least 48 hours prior to the commencement of this land use operation.	CONTACT INSPECTOR
8.	The Permittee shall advise a Land Use Inspector at least 10 days prior to the completion of the land use operation of ;  (a) his plan for removal or storage of equipment and materials, and  (b) when final clean-up and restoration of the lands used will be completed.	REPORTS BEFORE REMOVAL
9.	The Permittee's Field Supervisor shall provide notification of commencement of the land use operation to the Engineer at the Iqaluit office of the Department of Aboriginal Affairs and Northern Development Canada either by emailing <a href="mailto:landsmining@aandc.gc.ca">landsmining@aandc.gc.ca</a> or by telephone at (867)975-4283.	NOTICE TO ENGINEER

10.	The Permittee shall submit an annual report to the Engineer by March 30 <sup>th</sup> of each year of permitted activities. The annual report must contain, but not limited to, the following information:  (a) A summary of activities undertaken for the year including  (b) A map showing the following items with exact coordinates (degrees/min/sec, in NAD 83):  i. All drilling locations ii. All fuel caches iii. Any other location where activities were conducted  (c) A work plan for the following year, including any progressive reclamation work undertaken.	ANNUAL REPORT
11.	The Permittee shall submit a progress report to the Engineer every year during this land use operation.	PROGRESS
12.	The Permittee shall notify a Land Use Inspector at least ten (10) days prior to backfilling any sump.	BACKFILLING NOTIFICATION
13.	The Permittee shall remove all ice bridges prior to spring break-up or completion of the land use operation unless otherwise approved in writing by a Land Use Inspector.	REMOVE ICE BRIDGE
14.	The Permittee shall remove all snow fills from stream crossings prior to spring break-up or completion of the land use operation unless otherwise approved in writing by a Land Use Inspector.	REMOVE SNOW FILLS
15.	The Permittee shall restore all sumps prior to spring break-up unless otherwise authorized in writing by a Land Use Inspector.	SUMPS SPRING BREAK-UP
16.	The Permittee shall complete all clean-up and restoration of the lands used prior to the expiry date of this permit.	CLEAN-UP
17.	The Permittee shall remove all garbage, fuel and equipment upon abandonment.	REMOVE GARBAGE
18.	The Engineer reserves the right to impose closure to any area to the Permittee in periods when dangers to natural resources are severe.	CLOSURE

### **31 (1) (c) - Equipment**

19.	The Permittee shall not use any equipment except of the type, size and number that is listed in the accepted application, unless otherwise authorized in writing by the Land Use Inspector.	ONLY APPROVED EQUIPMENT
20.	The Permittee shall use a forced-air fuel-fired incinerator to incinerate all combustible garbage and debris.	INCINERATORS
21.	The Permittee shall keep all garbage and debris in a covered metal container until disposed of. All wastes shall be kept inaccessible to wildlife at all times.	GARBAGE CONTAINERS

**31 (1) (d) - Methods and Techniques**

25.	The Permittee shall plug all bore holes as the land use operation progresses.	PLUG HOLES
26.	The Permittee shall refill and restore bore hole craters as the land use operation progresses.	REFILL CRATERS
27.	The Permittee shall remove all wire from the land as the land use operation progresses.	REMOVE WIRE
28.	The Permittee shall not erect camps or store material on the surface ice of streams.	STORAGE ON ICE
29.	The Permittee shall not allow any drilling wastes to spread to the surrounding lands or water bodies.	DRILL WASTES CONTAINMENT
30.	The Permittee shall ensure that all drill areas are constructed to facilitate minimizing the environmental footprint of the project area. Drill areas should be kept orderly with garbage removed daily to an approved disposal site.	DRILL AREA FOOTPRINT

**31 (1) (e) - Type, Location, Capacity and Operation of Facilities**

31.	The Permittee shall not locate any sump within thirty-one (31) metres of the normal high water mark of any stream.	SUMPS FROM WATER
32.	The Permittee shall maintain all drill wastes at least 1.2 metres below the lowest elevation of contiguous surrounding ground surface at all times.	SUMPS FREEBOARD
33.	The Permittee shall backfill and restore all sumps prior to the expiry date of this permit.	BACKFILL SUMPS
34.	The Permittee shall backfill all sumps in such a manner that drill waste is maintained below the 1.2 metre freeboard.	BACKFILL SUMPS HOW
35.	The Permittee shall:  (a) place all excavated material over the sump area.  (b) overlap the replaced material a minimum of two (2) metres beyond the edges of the existing sump wall.	BACKFILL SUMP OVERLAP
36.	The Permittee shall ensure that the land use area is kept clean and tidy at all times.	CLEAN WORK AREA

**31 (1) (f) - Control or Prevention of Flooding, Erosion and Subsidence of Land**

37.	(a) The Permittee shall, where flowing water from bore holes is encountered, plug the bore hole in such a manner as to permanently prevent any further outflow of water.  (b) The artesian occurrence shall be reported to the Engineer within forty-eight (48) hours.	PLUG ARTESIAN WELLS
38.	The Permittee shall remove any obstruction to natural drainage caused by any part of this land use operation.	NATURAL DRAINAGE
39.	The Permittee shall not cut any stream bank unless authorized in writing by a Land Use Inspector.	STREAM BANKS
40.	The Permittee shall not use any material other than water in the construction of ice bridges.	ICE BRIDGE MATERIAL
41.	The Permittee shall not allow any ice bridge to hinder the flow of water in any stream.	ICE BRIDGE
42.	The Permittee shall install erosion control structures as the land use operation progresses unless otherwise authorized by a Land Use Inspector.	EROSION CONTROL WHEN
43.	The Permittee shall insulate the ground surface beneath all structures and facilities associated with this land use operation to:  (a) prevent any vegetation present from being removed and;  (b) the ground settling and/or eroding.	INSULATE GROUND SURFACE
44.	The Permittee shall prepare the site in such a manner as to prevent rutting of the ground surface.	PREVENTION OF RUTTING
45.	The Permittee shall not move any equipment or vehicles unless the ground surface is in a state capable of fully supporting the equipment or vehicles without rutting or gouging.	VEHICLE MOVEMENT FREEZE-UP
46.	The Permittee shall suspend overland travel of equipment or vehicles if rutting occurs.	SUSPEND OVERLAND TRAVEL

**31 (1) (g) - Use, Storage, Handling and Disposal of Chemical or Toxic Material**

47.	The Permittee shall not use chemicals in connection with the land use operation without the prior approval of the Engineer.	APPROVAL OF CHEMICALS
48.	The Permittee shall not use the following materials during the drilling operation without the prior written approval of the Engineer.  Chlorinated phenols (Dowicide B, etc.) Compounds composed primarily of heavy metals Asbestos	PROHIBITED CHEMICALS

49.	The Permittee shall deposit all sewage into a sump.	SEWAGE DISPOSAL
50.	The Permittee shall deposit all drill waste into a sump.	DRILL WASTE
51.	The Permittee shall not allow any drilling waste to spread to the surrounding lands.	DRILL WASTE CONTAINMENT
52.	The Permittee shall burn all combustible garbage and debris at least daily.	GARBAGE DISPOSAL
53.	The Permittee shall ensure that the disposal of combustible camp wastes comply with the Canadian Wide Standards for Dioxins and Furans, and the Canadian Wide Standards for Mercury.	WASTE DISPOSAL
54.	The Permittee shall remove all non-combustible garbage and debris from the land use area to a disposal site approved in writing by a Land Use Inspector.	REMOVE GARBAGE
55.	The Permittee shall dispose of all combustible waste petroleum products by removal.	WASTE PETROLEUM DISPOSAL
56.	The Permittee shall dispose of all toxic or persistent substances in a manner as approved in writing by the Engineer.	WASTE CHEMICAL DISPOSAL
57.	The Permittee shall remove and treat hydrocarbon contaminated soils on site or transport them to an approved disposal site.	HYDROCARBON CONTAMINATED SOILS
58.	The Permittee shall dispose of all fluids used to wash machinery and equipment in a sump unless otherwise authorized in writing by a Land Use Inspector.	RIG WASH DISPOSAL
59.	The Permittee shall report all spills immediately in accordance with instructions contained in "Spill Report" form NWT 1752(05/93). Twenty four (24) hour spill report line (867)920-8130.	REPORT CHEMICAL AND PETROLEUM SPILLS
60.	The Permittee prior to the discharge of fluids from any sump shall carry out an analysis of the fluids in a manner prescribed by the Engineer and obtain his written approval to discharge.	SUMP DISCHARGE

### **31 (1) (h) - Wildlife and Fisheries Habitat**

61.	The Permittee shall not unnecessarily damage wildlife habitat in conducting this land use operation.	HABITAT DAMAGE
62.	The Permittee shall not disturb or destroy the nests or eggs of any birds. If nests are encountered and/or identified, the Permittee shall take precaution to avoid further interaction and/or disturbance.	NO DISTURBING NESTS

63.	The Permittee shall not extract water from any fish-bearing waterbody unless the water intake hose is equipped with a screen of appropriate mesh size to ensure that there is no entrapment of fish.	WATER EXTRACTION
64.	Your operation is in an area where bears may be encountered. Proper food handling and garbage disposal procedures will lessen the likelihood of bears being attracted to your operation.	BEAR/MAN CONFLICT
65.	The Permittee shall not harass wildlife. This includes persistently worrying or chasing, or disturbing large groups of animals.	NO HARASSING WILDLIFE
66.	The Permittee shall not feed wildlife.	NO FEEDING WILDLIFE

**31 (1) (k) - Petroleum Fuel Storage**

67.	The Permittee shall report in writing to a Land Use Inspector the location and quantity of all petroleum fuel caches within ten (10) days after the establishment.	REPORT FUEL LOCATION
68.	The Permittee shall not place any petroleum fuel storage containers within thirty-one (31) metres of the normal high water mark of any stream.	FUEL BY STREAM
69.	The Permittee shall not allow petroleum products to spread to surrounding lands or into water bodies.	FUEL CONTAINMENT
70.	The Permittee shall use secondary containment or a surface liner (drip pans, fold-a-tanks, etc) at all refuelling stations. The Permittee shall ensure that appropriate spill kits are located at every fuel cache.	SECONDARY CONTAINMENT
71.	The Permittee shall store all fuel and chemicals in such a manner that they are inaccessible to wildlife.	FUEL INACCESSIBLE TO WILDLIFE
72.	The Permittee shall have one extra fuel storage container on site equal to, or greater than, the size of the largest fuel container.	FUEL EXTRA CONTAINER
73.	The Permittee shall mark all stationary petroleum products storage facilities with flags, posts or similar devices so that they are at all times plainly visible to local vehicle travel.	MARK FUEL LOCATION
74.	<p>The Permittee shall:</p> <ul style="list-style-type: none"> <li>(a) examine all fuel storage containers for leaks a minimum of once every day;</li> <li>(b) repair all leaks immediately; and</li> <li>(c) examine all fuel storage containers for leaks immediately upon delivery.</li> </ul>	CHECK FOR LEAKS



75.	The Permittee shall seal all container outlets except the outlet currently in use.	SEAL OUTLET
76.	The Permittee shall mark all fuel containers with the Permittee's name.	MARK CONTAINERS

**31 (1) (m) - Matters Not Inconsistent with the Regulations**

77.	The Permittee shall display a copy of this permit in a conspicuous place in each campsite established to carry out this land use operation.	DISPLAY PERMIT
78.	The Permittee shall keep on hand, at all times during this land use operation, a copy of the Land Use Permit.	COPY OF PERMIT
79.	<p>The Permittee shall provide in writing to the Engineer, at least forty-eight (48) hours prior to commencement of this land use operation, the following information:</p> <p>(a) person, or persons, in charge of the field operation to whom notices, orders, and reports may be served;</p> <p>(b) alternates;</p> <p>(c) all the indirect methods for contacting the above person(s).</p>	IDENTIFY AGENT
80.	The Permittee shall conspicuously display the land use permit number on all vehicles and equipment.	DISPLAY PERMIT NUMBER
81.	<p><u>Part 1</u> - In this Permit:</p> <p>"sump" means a man-made pit, trench hollow or cavity in the earth's surface used for the purpose of depositing waste material therein.</p> <p>"drill waste" means all materials or chemicals, solid or liquid, associated with the drilling of bore holes and includes bore hole cuttings.</p>	DEFINITIONS
82.	The Permittee shall conduct leach and acid generation tests on the ore and waste rock, in a manner approved by the Engineer. The leachate shall be analysed for content of heavy metals and all test results shall be submitted to the Engineer.	LEACHATE TEST

## ARCHAEOLOGICAL & PALEONTOLOGICAL TERMS & CONDITIONS

83.	<p><b>“archaeological site”</b> means a place where an archaeological artifact is found.</p> <p><b>“archaeological artifact”</b> means any tangible evidence of human activity that is more than 50 years old and in respect of which an unbroken chain of possession or regular pattern of usage cannot be demonstrated, and includes a Denesuline archaeological specimen referred to in section 40.4.9 of the Nunavut Land Claims Agreement.</p> <p><b>“paleontological site”</b> means a site where a fossil is found.</p> <p><b>“fossil”</b> includes:</p> <ul style="list-style-type: none"> <li>(a) natural casts</li> <li>(b) preserved tracks, coprolites and plant remains; and</li> <li>(c) the preserved shells and exoskeletons of invertebrates and the eggs, teeth and bones of vertebrates.</li> </ul>	DEFINITIONS
84.	The Permittee shall avoid any known or suspected archaeological and/or paleontological sites.	AVOIDANCE OF ARCHAEOLOGICAL AND/OR PALEONTOLOGICAL SITES
85.	The Permittee shall not remove, disturb, or displace any archaeological artifact or site, or any paleontological site or fossil.	DISTURBANCE OF ARCHAEOLOGICAL AND/OR PALEONTOLOGICAL SITES
86.	The Permittee shall ensure that all persons working under the authority of the permit are aware of these conditions pertaining to archaeological sites and artifacts as well as paleontological sites and fossils.	KNOWLEDGE OF ARCHAEOLOGICAL AND PALEONTOLOGICAL TERMS AND CONDITIONS

87.	<p>The Permittee shall immediately cease any activity should a suspected archaeological, paleontological, or burial site be discovered during the course of a land use operation. The Permittee is required to immediately contact the Land Administration division at Aboriginal Affairs and Northern Development Canada at (867)975-4283 or (867)975-4285 or (867)975-4280 as well as the Department of Culture and Heritage at (867)934-2046 or (867)975-5500 or 1(866)934-2035.</p> <p>Permission to resume land use operations must be obtained from the Engineer. At such time the Engineer may, at his/her discretion, require that you have an archaeologist or palaeontologist perform the following functions:</p> <ul style="list-style-type: none"> <li>(a) Survey,</li> <li>(b) Inventory and documentation of the archaeological or paleontological resources of the land use area,</li> <li>(c) Assessment of potential for damage to archaeological or paleontological sites,</li> <li>(d) Mitigation,</li> <li>(e) Marking boundaries of archaeological or paleontological sites,</li> <li>(f) Site restoration.</li> </ul>	<p>CEASE OPERATION OF LAND USE ACTIVITY</p>
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## Species At Risk in Nunavut

This list includes species listed on one of the Schedules of SARA (*Species at Risk Act*) and under consideration for listing on Schedule 1 of SARA. These species have been designated as at risk by COSEWIC (Committee on the Status of Endangered Wildlife in Canada). This list may not include all species identified as at risk by the Territorial Government.

- a) Schedule 1 is the official legal list of Species at Risk for SARA. SARA applies to all species on Schedule 1. The term “listed” species refers to species on Schedule 1.
- (b) Schedule 2 and 3 of SARA identify species that were designated at risk by the COSEWIC prior to October 1999 and must be reassessed using revised criteria before they can be considered for addition to Schedule 1.
- (c) Some species identified at risk by COSEWIC are “pending” addition to Schedule 1 of SARA. These species are under consideration for addition to Schedule 1, subject to further consultation or assessment.

Schedules of SARA are amended on a regular basis so it is important to periodically check the SARA registry ([www.sararegistry.gc.ca](http://www.sararegistry.gc.ca)) to get the current status of a species.

Terrestrial Species at Risk	COSEWIC Designation	Schedule of SARA	Government Organization with Lead Management Responsibility
Eskimo Curlew	Endangered	Schedule 1	EC
Ivory Gull	Endangered	Schedule 1	EC
Ross's Gull	Threatened	Schedule 1	EC
Harlequin Duck (Eastern population)	Special Concern	Schedule 1	EC
Rusty Blackbird	Special Concern	Schedule 1	Government of Nunavut
Felt-leaf Willow	Special Concern	Schedule 1	Government of Nunavut
Peregrine Falcon	Special Concern ( <i>anatum-tundrius</i> complex)	Schedule 1 ( <i>anatum</i> ) Schedule 3 ( <i>tundrius</i> )	Government of Nunavut
Short-eared Owl	Special Concern	Schedule 3	Government of Nunavut
Peary Caribou	Endangered	Schedule 1	Government of Nunavut
Barren-ground Caribou (Dolphin and Union population)	Special Concern	Schedule 1	Government of Nunavut
Polar Bear	Special Concern	Schedule 1	Government of Nunavut
Red Knot ( <i>rufa</i> subspecies)	Endangered	Pending	EC
Red Knot ( <i>islandica</i> subspecies)	Special Concern	Pending	EC
Porsild's Bryum	Threatened	Pending	GN
Horned Grebe (Western Population)	Special Concern	Pending	EC
Grizzly Bear	Special Concern	Pending	Government of Nunavut
Wolverine (Western Population)	Special Concern	Pending	Government of Nunavut
Atlantic Cod, Arctic Lakes	Special Concern	No Schedule	DFO
Atlantic Walrus	Special Concern	Pending	DFO
Beluga Whale (Cumberland Sound population)	Threatened	Pending	DFO
Beluga Whale (Eastern Hudson Bay population)	Endangered	Pending	DFO

Beluga Whale (Western Hudson Bay population)	Special Concern	Pending	DFO
Beluga Whale (Eastern High Arctic – Baffin Bay population)	Special Concern	Pending	DFO
Bowhead Whale (Eastern Canada – West Greenland population)	Special Concern	Pending	DFO
Killer Whale (Northwest Atlantic / Eastern Arctic populations)	Special Concern	Pending	DFO
Narwhal	Special Concern	Pending	DFO

Updated: January 2012