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NUNAVUT IMALIRIYIN KATIMAYINGI
NUNAVUT WATER BOARD
OFFICE DES EAUX DU NUNAVUT

WATER LICENCE APPLICATION FORM

Application for: (check one)

☐ New ☒ **Renewal** ☐ Amendment ☐ Assignment ☐ Cancellation

LICENCE NO:

(for NWB use only)

1. NAME AND MAILING ADDRESS OF APPLICANT/LICENSEE Diamonds North Resources Ltd 510-510 Burrard St. Vancouver, B.C. V6C 3A8 Phone: <u>604 689 2010</u> Fax: <u>604 484 7143</u> e-mail: <u>ggill@diamondsnorthresources.</u>	2. ADDRESS OF CORPORATE OFFICE IN CANADA (if applicable) <u>Same as #1</u> Phone: _____ Fax: _____ e-mail: _____
3. LOCATION OF UNDERTAKING (describe and attach a topographical map, indicating the main components of the Undertaking) See Map Latitude: (68°7'49" N) Longitude: (90°4'32" W) NTS Map Sheet No. <u>57/A,B,D 56/O,P</u> Scale: <u>1:250,000</u>	
4. DESCRIPTION OF UNDERTAKING (attach plans and drawings) <u>qq</u> Diamonds North has been exploring for diamonds on it's Amaruk property solely for the past 2 years after a joint venture agreement with BHP Billiton was terminated. In 2006 and 2007 Diamonds North conducted regional airborne magnetic surveying, ground geophysical surveying, till sampling, prospecting as well as reverse circulation and diamond drilling over portions of the Amaruk property. Results from these surveys indicate that there are hundreds of anomalous magnetic features within the property boundary some of which are already confirmed to be sourced by kimberlite of which several are known to contain diamonds. Diamonds North plans to continue exploration over the next 5 years with follow up work including additional detailed airborne geophysics, ground magnetics, prospecting and drilling of the most favorable targets to determine if some of the remaining, untested magnetic features are sourced by kimberlite and to determine the diamond content of known kimberlites as well as any other kimberlites discovered within the coming years. As some of the targets occur within lakes, some of the geophysical surveying will be conducted prior to breakup while land based targets will be surveyed during the spring and summer months. Diamond drilling of ice based targets may occur in the spring if the former geophysical surveying suggests that the target(s) remain valid. Land based targets will surveyed in detail using ground based crews. Drilling of these anomalies will occur after break up and into the summer/fall months. The drills to be used	

during this stage of the program will be a Boyles 17A drill (or equivalent) capable of coring 56 mm (2.205") diameter core and two to three Hornet reverse circulation drills. The drills will test approximately 80-90 targets in each of the years covered by the applied for permit. Coring will continue to a depth of up to 250 metres with the diamond drill on known kimberlite bodies while up to a maximum of 100 metres will be drilled on each hole using reverse circulation techniques to determine if the geophysical anomaly is indeed kimberlite.

The drills will be mobilized to each site via helicopter and crews will be moved daily between camp and the drill. It is estimated that only one - three days will be required to test each target with a Reverse Circulation drill (no water required) and 2-3 days with a diamond drill.

Surface disturbance from the drilling phase of the program will be very localized and minimal. Each drill site will cover approximately 10 m2 and drill pads will be returned as near as possible to their original state. Pad construction will involve the emplacement of parallel wooden timbers (6" x 6" x 10-12') onto the ground on to which the frame of the drill and shack will be placed. The only ground clearing needed for this type of drill set-up will involve the removal of any larger, protruding boulders by hand. Once drilling at a particular site is completed the timbers will be removed for use at the next drill site. All garbage and fuel drums will be backhauled to the camp and then to the approved landfill site in Kugaaruk, Yellowknife or Edmonton.

When drilling land based targets the drill will be positioned no closer than 30 metres of the high water mark of any waterbody and all drill cuttings, water return and sludge will be disposed of in a properly constructed sump or natural depression. Prior to and upon completion of any drill testing of any on-ice target a water sample will be collected and submitted to an approved laboratory for analysis. Drilling additives or mud shall not be used with holes drilled through ice unless they are re-circulated or contained and all drill cuttings will be removed from the ice surface.

Fuel to be used for this operation will be cached in quantities of up to 200 of Jet-A and diesel at several cache sites centrally located near the potential drilling operations and camp site. Only 2-3 drums of diesel and 3-4, 100 pound bottles of propane will be located at each drill (Refer to Fuel Spill Contingency Plan). Method of transfer of fuel will be gravity feed or by manual pump. Helicopters will use conventional DC electric barrel pumps.

It should be noted that surface disturbance from these operations will be very localized and minimal. Each drill site may cover 10 square metres. All pits or sumps will be backfilled and leveled and drill pads returned, as near as possible to their original state.

Drill equipment and fuel will be mobilized via Twin Otter to a centrally located camp and several strategic fuel caches and subsequently moved from site to site via helicopter. Field crews will be mobilized to each site via helicopter on a daily basis from the campsite.

The campsite currently being used for the Amaruk project is located at 68 deg 07 min 51 sec N, 90 deg 04 min 27 secW which is fully permitted under Diamonds North's current Land Use Permit 2BE-PEL/GA.

5. TYPE OF PRIMARY UNDERTAKING (A supplementary questionnaire **must** be submitted with the application for undertakings listed in “**bold**”)

- | | |
|---|---|
| <input type="checkbox"/> Industrial | <input type="checkbox"/> Agricultural |
| <input checked="" type="checkbox"/> Mining and Milling (includes exploration/drilling) | <input type="checkbox"/> Conservation |
| <input type="checkbox"/> Municipal (includes camps/lodges) | <input type="checkbox"/> Recreational |
| <input type="checkbox"/> Power | <input type="checkbox"/> Miscellaneous (describe below): |

See Schedule II of *Northwest Territories Waters Regulations* for Description of Undertakings

6. WATER USE

- | | |
|---|---|
| <input checked="" type="checkbox"/> To obtain water | <input type="checkbox"/> Flood control |
| <input type="checkbox"/> To cross a watercourse | <input type="checkbox"/> To divert a watercourse |
| <input type="checkbox"/> To modify the bed or bank of a watercourse | <input type="checkbox"/> To alter the flow of , or store, water |
| <input type="checkbox"/> Other (describe): | |

7. QUANTITY OF WATER INVOLVED (cubic metres per day including both quantity to be used and quality to be returned to source)

- Water use** ☒ 100m³/day or less
☐ Greater than 100m³/day; if greater, indicate quantities to be used for each purpose (camp, drilling, etc.)

Water returned to source
0 m³/day

8. WASTE (for each type of waste describe: composition, quantity (cubic metres per day), methods of treatment and disposal, etc.)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Sewage | <input checked="" type="checkbox"/> Waste oil |
| <input checked="" type="checkbox"/> Solid Waste | <input checked="" type="checkbox"/> Greywater |
| <input checked="" type="checkbox"/> Hazardous | <input checked="" type="checkbox"/> Sludges |
| <input checked="" type="checkbox"/> Bulky Items/Scrap Metal | <input type="checkbox"/> Other describe): |

Sewage: Sewage will be deposited in a pit dug below an erected outhouse. The outhouse and pit will be no closer than 30 metres from the ordinary high water mark of any water body.

Solid Waste: Burnable solid waste will be transported to camp where it will be burned in a vented, base fuel fed burning barrel. The ashes will be placed in barrels and transported to either the local landfill site in Kugaaruk or to Yellowknife to be disposed of by Discovery Mining Services Ltd. in Yellowknife or Edmonton.

Hazardous Waste: All hazardous wastes will be collected and properly stored at camp until such time that these wastes can be transported to the nearest approved Hazardous Waste disposal facility.

Bulky Items/Scrap Metal: All non-burnable wastes or scrap metals, such as spent drill equipment will be collected and appropriately stored at camp until it can be transported to an approved disposal site. Diamonds North will also contract Discovery Mining Services to manage the appropriate disposal of this material.

Waste Oil: All waste oil will be collected and properly stored at camp until such time that it can be transported to an approved disposal site in Yellowknife or Edmonton by Discovery Mining Services, of Yellowknife, NT.

Greywater: Greywater produced in the kitchen and Dry facilities will be gravity fed to a hand dug sump or natural depression located no closer than 30 metres from the ordinary high water mark of any water body.

Sludges: All drill sludges will be collected in a hand dug collection sump or natural depression located no less than 30 metres from the ordinary high water mark of any water body. These sludges will be allowed to settle.

9. OTHER PERSONS OR PROPERTIES AFFECTED BY THIS UNDERTAKING (give name, mailing address and location; attach if necessary)

None. Work area is remote

Land Use Permit

DIAND

☒ Yes ☐ No If no, date expected _____

Regional Inuit Association

☒ Yes ☐ No If no, date expected _____

Commissioner

☐ Yes ☒ No If no, date expected _____

10. PREDICTED ENVIRONMENTAL IMPACTS OF UNDERTAKING AND PROPOSED MITIGATION MEASURES (direct, indirect, cumulative impacts, etc.)

Cumulative environmental effects result from the combination of environmental effects from a number of different developments/activities. As the proposed program represents the only exploration activity in the area no cumulative effects are expected.

Potential localized impacts include minor to negligible effects on caribou, harvesting activities, waterfowl and the environment.

Diamonds North Resources Ltd. is fully committed to implementing its proposed diamond exploration project on the Amaruk property in an environmentally responsible manner to protect and sustain the environmental and cultural resources of the project area. The exploration program described above will have no to very low impact to the environment and/or wildlife. Water use-age will be minimal (up to 80 cubic metres/day) and restricted to drill and domestic use at the temporary camp only. Drill operations will be conducted in an environmentally friendly manner and fuel caches will be checked daily for potential leakage. Helicopter useage for purposes of supporting drilling operations is and has been the standard practice of many exploration companies now and in the past with no impact to wildlife or the environment. Pilots will be instructed to avoid wildlife during operations. Congregations of wildlife are not expected in the area but will be avoided should any be encountered.

The total estimated surface disturbance for all of the drill sites (approximately 80 for each year of the permit) is estimated to be a maximum of 0.08 ha/year. The small quantities of benign drilling wastes (0.14 m³/ 100 m drilled) generated at each drill site will be deposited in natural depressions or sumps and will affect small areas of sparsely vegetated tundra within the footprint of the disturbed area at each drill site. It is Diamonds North's policy to perform progressive restoration so that each drill site is restored as near as possible to its original state before moving to the next setup. This includes the removal of all garbage, fuel drums and equipment. All constructed sumps will also be backfilled. Before and after pictures of each site will be taken and made available for the public record.

In total, the residual environmental effects of Diamonds North's entire drilling program on the Amaruk property are expected to be negligible. No other mineral exploration activities or other industrial development projects are currently known or planned for the immediate area, which further reduces the potential for cumulative effects.

There will be no deleterious effects to water quality due to the protection measures outlined by DIAND which includes restrictions as to how close to waterbodies the drill, sumps and fuel caches are allowed.

It is also recognized that portions of these areas may contain significant archaeological, cultural and historic sites. Any archaeological sites encountered will not be disturbed. If a site is found during operations, work in that vicinity will stop, a 30 metre buffer around the area will be established, the

site will be photographed and GPS coordinates will be recorded. This information will then be reported to the Prince of Wales Northern Heritage Centre. As the project area is located within the immediate vicinity of the community of Kugaaruk Diamonds North will aggressively canvas the community for local employees. In the past 2 years the company as employed at least 6 local Inuit workers per year on site as well as others within the community. Supplies and in town accommodation as well as expediting have and will continue to be performed by the local Co-op. As all of the exploration work is outside of the town boundaries no negative socio-economic impacts are expected to occur. Local groups and individuals will be consulted to address any concerns regarding traditional land use, harvesting and/or archaeological sites prior to the commencement of the proposed work program. The Company will also encourage all contractors operating on the project to hire locally.

All incinerator residual, non-combustible garbage and empty drums will be backhauled to Yellowknife or Churchill where Diamonds North's agent will dispose of the material at approved waste disposal facilities.

Mitigation measures to be undertaken to reduce, control or eliminate potential environmental effects include;

- 1) Adhering to the Caribou Protection Measures; specifically not working in any core calving areas.
- 2) Avoiding low level flights over areas known for waterfowl nesting.
- 3) Adhering to the Recommended Environmentally Acceptable Minimum Flight Altitudes.
- 4) Equipping all water intake hoses with an appropriate screen mesh size to ensure no entrapment of fish.
- 5) Provide necessary controls to prevent sedimentation and/or erosion of water bodies or adjacent land.
- 6) All drill waste will be disposed of and contained in natural depressions or hand dug sumps located at least 30 meters from any high water mark such that the waste does not enter any water bodies. As virtually 95% of the rock cored is brought to the surface and transported to camp (and then to the laboratory), the volume of drill waste created for a 100 meter long hole is only 0.14 cubic meters.
- 7) All trenches/pits/sumps will be backfilled and contoured when operations are complete.
- 8) Only environmentally acceptable and approved muds and additives (as per DIAND regulations) are to be used during drilling operations.
- 9) Drill holes to be plugged and permanently sealed if artesian flow is encountered.
- 10) All fuel caches will be located a minimum of 30 meters from the normal high water mark. Spill kits will be present at all fuel caches and drilling operations.
- 11) Diamonds North possesses and maintains a current Emergency Response Plan including a Fuel Spill Contingency Plan that all employees and contractors are required to adhere to. These policies also include safety, emergency, fire and medi-vac procedures.
- 12) Diamonds North also maintains a progressive reclamation policy which effectively restores, as near as possible, any disturbance at any site to its original state before operations begin at the next site.

NIRB Screening ☒ Yes ☐ No If no, date expected _____

11. INUIT WATER RIGHTS

Will the project or activity substantially affect the quality, quantity, or flow of water flowing through Inuit Owned Lands and the rights of Inuit under Article 20 of the Nunavut Land Claims Agreement?

No. All work to be conducted in a professional and environmentally sound manner to ensure no impact to local waterbodies occurs and that water quality is not compromised.

If yes, has the applicant entered into an agreement with the Designated Inuit organization to pay compensation for any loss or damage that may be caused by the alteration. If no compensation agreement has been made, how will compensation be determined?

12. CONTRACTORS AND SUB-CONTRACTORS (name, address and functions)

Charter Aircraft:

- 1) First Air – Yellowknife, NT
- 2) Canadian North – Yellowknife, NT
- 3) Great Slave Helicopter - Yellowknife, NT
- 4) Ookpik Aviation - Baker Lake, NU
- 5) Air Tindi - Yellowknife, NT
- 6) Arctic Sunwest - Yellowknife, NT

Expediting:

- 1) Peter's Expediting - Baker Lake, NU
- 2) Discovery Mining Services - Yellowknife, NT

Supplies:

- 1) Co-op store in Kugaaruk, NU
- 2) Basset Petroleum - Yellowknife, NT
- 3) Churchill Tank Farm, Churchill, MB

Drilling:

Unknown contractor at this time

Airborne Geophysical Survey:

- 1) Fugro Airborne Surveys Ltd., Toronto, Ontario
- 2) Special Projects Inc, Calgary AB

13. STUDIES UNDERTAKEN TO DATE (list and attach copies of studies, reports, research, etc.)

Only a request for site information from the Department of Culture, Language, Elders and Youth regarding Nunavut Archaeological sites. None reported in area of work program. Water tests taken in 2007; see 2007 NWB Annual Report for test results.

14. THE FOLLOWING DOCUMENTS MUST BE INCLUDED WITH THE APPLICATION FOR THE REGULATORY PROCESS TO BEGIN

Supplementary Questionnaire (where applicable: see section 5) ☒ Yes ☐ No If no, date expected _____

Inuktitut and/or Inuinnaqtun/English Summary of Project ☒ Yes ☐ No If no, date expected _____

Application fee of \$30.00 (Payee Receiver General for Canada) ☒ Yes ☐ No If no, date expected _____

Water Use fee of \$30.00 (unless otherwise indicated in Section 9 of the *NWT Waters Regulations*; Payee Receiver General for Canada)

☒ Yes ☐ No If no, date expected _____

15. PROPOSED TIME SCHEDULE (unless otherwise indicated, the NWB will consider the application for a five (5) year term)

☐ one year or less (or) ☒ Multi Year

Start Date: Jan. 1st, 2008 Completion Date: Dec., 31st, 2013

<u>Graham Gill</u>	<u>V.P. Operations</u>		<u>November 29, 2007</u>
Name (Print)	Title (Print)	Signature	Date

For Nunavut Water Board office use only		
APPLICATION FEE	Amount: \$_____	Pay ID No.: _____
WATER USE DEPOSIT	Amount: \$_____	Pay ID No.: _____