



Water Resources Division  
Nunavut Regional Office  
Indian and Northern Affairs Canada  
Iqaluit, NU X0A 0H0

Our File: 9545-1 / CIDMS 202306  
Reference: 2BE-PEL

March 15, 2008

Richard Dwyer  
Licence Administrator  
Nunavut Water Board  
Gjoa Haven, NU X0B 1J0

**Re: 2BE-PEL0507 / Diamonds North Resources Ltd. / Pelly Bay Area Project /  
Kitikmeot Project / Licence Renewal Application**

Indian and Northern Affairs Canada (INAC) has reviewed the Type B licence renewal application submitted by Diamonds North Resources Ltd. for the Pelly Bay Area Project 2BE-PEL0507. The Pelly Bay Area project is situated on Crown and Inuit Owned Lands in the Kitikmeot Region, having a general coordinate of 68° 7' 49" north latitude, 90° 4' 325" west longitude. The Pelly Bay Area Project is a mineral exploration project that includes prospecting, geological mapping, geophysical survey, diamond drilling, and reverse circulation activities. The project area is referred to as the Amaruk Property. Two (2) exploration camps are within this project area, the Siku Camp and the Amaruk Camp. The Siku Camp can accommodate 12 people and is situated 46 kilometres south-southeast of Kugaaruk, Nunavut. The Amaruk Camp can accommodate 30 people and is situated 150 kilometres southwest of Kugaaruk.

The following advice has been provided pursuant to INAC's mandated responsibilities for the enforcement of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Indian Affairs and Northern Development Act*. Indian and Northern Affairs Canada recommends that these comments be considered when reviewing this licence renewal application.

General

1. The Proponent should provide the Board with a signed letter of agreement between itself and the Hamlet of Kugaaruk regarding the disposal of any waste products at the community's solid waste disposal facility.
2. Drill holes should have all rods and casing removed prior to abandoning the hole.

3. Upon completion of land-based drilling activities, drill holes should be sealed and capped to prevent possible movement and induced thermal erosion. All drill holes should be sealed at their lower and upper permafrost levels. Drill holes should be capped or sealed through the thermal active layer if artesian flows due to impervious layers and/or naturally occurring, confined salt water are encountered.
4. The Canadian Council of Minister's of the Environment *Guidelines for the Protection of Freshwater Aquatic Life* should be followed when performing on-ice drilling activities. Specifically, when drill additives are not being used, return water must be non-toxic and not cause an increase in the total suspended solids within the immediate receiving waters above the thresholds identified in the CCME guidelines (i.e., 10 mg/L for lakes with background levels under 100 mg/L, or 10% for those above 100 mg/L).

### Spill Contingency

5. The project Spill Contingency Plan should be revised to include the 24-hour contact information of the lead on-site supervisor and contacts for the Siku and Amaruk Camps.
6. The project's Spill Contingency Plan should be revised to include detailed diagrams of all main fuel caches (i.e., the Amaruk and Siku Camp fuel caches). These diagrams should be set at an appropriate scale and reference their GPS coordinates, proximity to adjacent freshwater sources, base contour lines, spill response equipment, and fuel transfer areas.
7. The project's Spill Contingency Plan should be revised to include contact information for Peter Kusugak, Manager of Field Operations, INAC Nunavut Regional Office (NRO); Melissa Joy, Water Resource Officer INAC NRO; and Baba Pedersen, Resource Management Officer INAC NRO.

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Indian and Northern Affairs Canada

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Abandonment and Reclamation

8. The project's Abandonment and Reclamation Plan should be revised to include drill site reclamation procedures.

Indian and Northern Affairs Canada requests notification of any changes in the proposed project, as further review may be necessary. Please contact me should you have any questions or comments with regards to the foregoing. I can be reached by telephone at (867) 975-4555 or email at [AbernethyD@inac-ainc.gc.ca](mailto:AbernethyD@inac-ainc.gc.ca).

Regards,

***Original signed by***

David W. Abernethy  
Regional Coordinator

Cc. Jim Rogers, Manager of Water Resources – INAC, NRO (NRO)  
Peter Kusugak, Manager of Field Operations – INAC, NRO  
Melissa Joy, Water Resources Officer – INAC, NRO  
Baba Pedersen, Resource Management Officer – INAC, NRO  
Phyllis Beaulieu, Manager of Licensing – Nunavut Water Board