



Field Operations
Nunavut Regional Office
PO Box 100
Iqaluit, NU X0A 0H0

Friday, August 17, 2012

(SENT BY E-MAIL)

CIDM # 555110

Our File: 2BE-PEL0813

Graham Gill, V.P. Operations
Diamonds North Resources Ltd.
510-510 Burrard St.
Vancouver, BC, V6C 3A8
Email: ggill@diamondsnorthresources.com

RE: NWB Licence No. 2BE-PEL0813

Dear Mr. Gill,

I recently was present at your site on August 11, 2012. Please find attached the report of my inspection. Please note that the items I identified for Amaruq and Tunerq camps must be completed by September 30, 2012. There are further administrative deadlines that are outlined in the report.

Please feel free to contact me to discuss any matters that require clarification.

Thank you,

Eva Paul
Water Resources Officer

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Cc: Andrew Keim, A/Manager, Field Operations, Nunavut Regional Office
Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board



WATER USE INSPECTION FORM

Date: August 11 2012	Licensee Rep. (Name/Title): N/A
Licensee: Diamonds North Resources Ltd.	Licence No.: 2BE-PEL0813 LUP:

AMARUK CAMP

WATER SUPPLY

Source(s): Unnamed Lake	Quantity used: n/a
Owner:/Operator: Licensee	

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected

Intake Facilities: A	Storage Structure: A	Treatment Systems: N/I	
Flow Meas. Device: N/I	Conveyance Lines: A	Pumping Stations: A	Screen : N/I

Comments: Camp is closed for the season and no water use is occurring.

WASTE DISPOSAL

Sewage: Sewage Treatment System (Prim./Sec/Ter.): Latrines

Natural Water Body: -	Continuous Discharge (land or water): -
Seasonal Discharge: -	Wetlands Treatment: - Trench: -

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected

Discharge Quality: NA	Decant Structure: NA	Erosion: A
Discharge Meas. Device: NA	Dyke Inspection: NA	Seepages: NA
Dams, Dykes: NA	Freeboard: NA	
Construction: NA	O&M Plan: NI	A&R Plan: NI
Discharge: NA	Effluent Discharge Rate: NA	

Comments: Latrines are used in camp. Most were boarded up, but the door was off one latrine. Greywater sump farthest from camp is well constructed. Sump behind kitchen tent and greywater sump out back could be improved by being covered to reduce attraction/hazard to wildlife.

Solid Waste:

Owner/Operator: Licensee

Landfill: NA	Incinerator: A	Other: Backhaul
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Comments: Camp is not currently active. Some solid waste / trash remains on-site in outdoor bins/barrels.

Barrel that fuels Incinerator has a hole cut in it for a hose. If this barrel were to tip, it is compromised and will leak.

FUEL STORAGE AND HAZARDOUS MATERIALS:

Waste Oil Storage: None seen

Owner/Operator: Licensee

Indicate: **A** - Acceptable **U** - Unacceptable **NA** - Not Applicable **NI** - Not Inspected



Berms & Liners: U	Water within Berms: U	Evidence of Leaks: A
Drainage Pipes: NA	Pump Station & Catchments Berm: NA	
Pipeline Condition: NA	Condition of Tanks: NA	
Chemical Storage: U	Spills: A	

Comments:

Airstrip: Salt bags were left at airstrip, uncontained and uncovered. Core boxes are scattered near the airstrip. 5 pails of oil are also sitting at the airstrip.

Heli-pads: Each heli-pad has a small berm with one barrel. Each berm is full of water. Around 10 other full barrels are present, lying down, with no containment.

Barrel-stands: Most barrel stands have secondary containment; however the berms and buckets are full to overflowing at the time of the inspection. On one barrel stand the hose has come off the valve, and sheen is seen on the water.

Other barrels: numerous other barrels were seen around camp, generally placed standing and in a berm, however, the berms are all full to overflowing with water and as such their utility is negated.

Oils: Various oils were found around site: motor oils and drilling compounds; none in containment.

Other hazardous: drill salts were found in camp, as well as quantities of paint, de-icer, and antifreeze.

Required Action

- All fuel that is stored on site is to be placed in covered secondary containment.
- All drill salt is to be stored in covered secondary containment to avoid salt spills and burns to the vegetation.
- All oils and other hazardous materials are to be collected and stored in covered secondary containment.
- All garbage is to be backhauled or incinerated.
- The barrels that are used to weight down the satellite dish stand: if they contain fuel or contaminated water they should be in covered secondary containment. Empty barrels with rocks are more appropriate for this purpose.
- These actions are to be completed and a report with photos submitted to the inspector by September 30, 2012.

TUNERQ (camp and drill area/fuel cache)

Tunerq camp is closed for the season. Wooden frames are present, latrine, and a storage box. Some small pieces of garbage are seen on-site.

The barrels weighting down the satellite dish contain fuel. These are to be kept in covered secondary containment, or backhauled. Empty barrels with rocks are more appropriate for this purpose.

Nothing was found at the coordinates given for the Tunerq drill/cache.

Required Action

- Fuel is to be stored in covered secondary containment or removed from site by September 30, 2012.



Fuel Caches

Qavvik: Fuel has been removed from this location. Scraps of wood and tarp remain, and the indents left by the barrels which were not stored in containment. Cleanup has also involved burning of waste, evidenced by the pile of ashes left at the site. The fire was incomplete, leaving partially burned plywood, as well as metal strapping and food waste. No evidence of spills on-site.

New Tuktuk: As with Qavvik, core boxes are left, dishes, pop cans, and the indents of the barrels which have been recently removed. A barrel top is left, which has been shot several times with a shotgun. Ashes of burned waste remain.

Arnak: A few core boxes and a length of rope remain at Arnak, as well as the ashes of the burned waste.

Required Action

- All waste (including ashes) should be removed from these sites as they are no longer in use (progressive reclamation). This cleanup will be completed and a report with photos submitted to the inspector by July 31, 2013.
- Open burning is not a provision of the licence, and as such is not an approved method of disposal of waste. This practice will be discontinued.
- Future fuel caches will employ secondary containment, and will be covered whenever monthly monitoring is not possible.

Drill Holes

Three drill holes were inspected. At 15 W 0586176 / 7575766, I noted a pile of timbers/wooden debris left from the drilling program.

AMKPB-11: One piece of lumber was noted at this hole. Drill casing is not visible. No sign of cuttings; area is very wet.

AMK-29: No signs of drilling were found at this site. The only water source nearby is a small stream.

PELLY-154: This site is clean; just a small pile of cuttings is visible. No casing is visible.

Required Action

- Removal of the debris noted at the above sites prior to the closure of the licence.
- A review of past drill holes and any lay-down areas to ensure that progressive reclamation is occurring. All waste including wood should be removed after each drill hole is completed. Future inspections will continue to include randomly chosen drill holes.



Non-Compliance of Act or Licence:

2BE-PEL0813 Licence:

Part B (2) Failure to file annual reports for 2007 and 2008.

Part C (2) Streams cannot be used as a water source without approval of the Board.

Part D (2) Open burning is not permitted under the licence.

Part H (2) Failure to provide updated Spill Contingency Plan.

Part H (4) Failure to inspect chemicals, petroleum products or wastes on a regular basis.

Part H (5) Failure to implement procedures to contain potential spills.

Part I (2) Failure to submit the required addendum to the Abandonment and Restoration Plan.

Part I (6) Failure to carry out progressive reclamation of components of the project no longer required.

Part J (2) Failure to report locations for water use associated with drilling activities.

Administrative Action Required:

- All outstanding Annual Reports are to be submitted by March 31, 2013. These will include reporting locations where water was used in association with drilling activities.
- An updated Spill Contingency Plan is to be submitted to the Board by October 31, 2012. This was required at the time of licence issuance, and a reminder was sent by the Board in 2010. The new SCP shall reflect new containment provisions as outlined in this report and updated MSDS sheets for all chemicals on-site. Please review the comments provided at the time of the application which were to be incorporated into the plan.
- An updated Abandonment and Reclamation Plan which includes the items identified at the time of licence issuance, is to be submitted with the Annual Report by March 31, 2013. This was required at the time of licence issuance, and a reminder was sent by the Board in 2010.

Failure to comply with this report may result in enforcement action being taken.

General Comments:

Eva Paul

Inspector's Name


Inspector's Signature