



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

August 29, 2012

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

Re: 2BE-PEL0813 August 11 2012 Inspection Form and Photos

Dear Mr. Gill,

Thank you for your response to the above documents submitted to you on August 17th, 2012. I am happy to hear that you will have crews in the area in September. Please read the form carefully and ensure that you have a full understanding of the required actions and dates. In your e-mail, you state: "not sure if we will get all work you outlined done this year but will definitely try to start with the salt, oils and filled berms. This all depends on crew and helicopter availability and of course weather". I recognize that they may represent more work than you anticipated in closing the camps this year, however, none of them are optional. You are expected to make the arrangements to carry out this work by the prescribed date. If you have any questions or concerns about what is required of you, please call me.

With respect to secondary containment, you stated that: "When I talked with Baba Pederson last year he made mention that berms were not mandatory but that one container of equal or greater volume should be present". I'm not entirely sure how that prevents a spill from occurring when your camp is closed. I have been reviewing your file and see that the lack of secondary containment is a recurring theme. I cannot speak to what Mr. Pedersen told you at your last meeting, however, his 2010 inspection report "strongly recommends" the use of secondary containment, and it was Mr. Pedersen who recommended many of the terms of your current Land Use Permit (N2012C0009), including the following items:

- Item 62: The permittee shall provide approved secondary Containment for all Fuels stored associated with this Land Use permit.
- Item 69: The permittee shall: a) examine all fuel storage containers for leaks a minimum of once every day; b) repair all leaks immediately.

Furthermore, from Ms. Joy's 2008 inspection: "Licensee is hereby directed by the Inspector to address issues such as secondary containment/fuel handling practices..."

You were directed by an inspector in 2008 to install secondary containment. You should not have been questioning its necessity in 2010. And we shouldn't be having this discussion in 2012. Secondary containment is required, and if you are not able to inspect the fuel daily, then the containment is to be covered to prevent water or snow accumulation that would be contaminated by potential leaks. If you continue to ignore



the directions given by the inspectors of this office, and to violate the terms of the Water Licence and LUP, enforcement action will result.

I look forward to receiving the reports and photos documenting the actions required in the August 11th Inspection Form, the first of which is due on or before September 30, 2012.

Sincerely,

Eva Paul
Water Resources Officer, Kitikmeot Region
Nunavut Regional Office
P:867-975-4548
F:867-979-6445
C:867-222-6490
E-mail: Eva.Paul@aandc-aadnc.gc.ca

Cc: Andrew Keim, A/Manager Field Operations, Nunavut Regional Office
Baba Pedersen, RMO, Kitikmeot Region
Phyllis Beaulieu, Manager of Licensing, Nunavut Water Board