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NUNAVUT IMALIRIYIN KATIMAYINGI
NUNAVUT WATER BOARD
OFFICE DES EAUX DU NUNAVUT

January 4, 2012

NWB File No: 2BE-PEL0813

Mr. Graham Gill, P.Geo.
V.P. Operations
Diamonds North Resources Ltd.
100-1111 Melville St.
Vancouver, BC V6E 3V6
E-mail: ggill@diamondsnorthresources.com

Re: Acknowledgement and Receipt of Incorrect Water Use Fee for 2BE-PEL081313

Dear Mr. Gill:

The Nunavut Water Board acknowledges receipt on December 29, 2011 of a thirty dollar (\$30.00) water use fee, cheque number 011813, for the above licence. Please be advised that in accordance with the current Waters Regulations this amount is incorrect and should be \$292.00 per year. This amount is outstanding for 2010 and 2011, for a total amount owing of \$584.00.

The regulations are set up in a manner that licensees are provided the right to use a volume of water specified in their water licence. The right is an access right to a specified volume of water over the duration of their licence. The fees payable are for that right. The fees payable are not for the specific volume of water used by the licensee. Whether the licensee chooses to use the entire volume of water specified in a licence, or not, does not impact the fees payable by that licensee. The licensee is responsible for fees payable for the right to the use of a specified volume of water over the duration of their water licence.

- Subsection 9(1) of the Northwest Territories Waters Regulations (the current water regulations in force in Nunavut) states "Subject to subsections (4) and (5), the fee payable by a licensee for the right to the use of water, calculated on an annual basis, is...". This clearly outlines that water use fees payable by a licensee are for the right to use water, **NOT** for the amount of water used by the licensee.

Your cheque is hereby being returned to you. Please call the undersigned at (867) 360-6338 or e-mail licensing@nunavutwaterboard.org if you have any questions.

Sincerely,

Original signed by:

Phyllis Beaulieu
Manager Licensing

Encl. – Cheque 011813