



Land Administration
P.O. Box 100
Iqaluit, NU X0A 0H0
Phone: 867-975-4275
Fax: 867-975-4286

May 25, 2013

Peregrine Diamonds Ltd.
201 – 1250 Homer St.
Vancouver, BC
V6B 1C6

Dear Mr. Willis:

Re: Land Use Permit #N2012C0024
Type of Operation: Mining (Exploration)
Location: Chidliak Bay Area, Baffin, NU, NTS 26B

Enclosed is your copy of Land Use permit number N2012C0024 authorizing your project as described in your application dated July 20, 2012, received by this office September 14, 2012.

Your application has received a wide distribution to other Federal departments, Government of the Nunavut departments, communities in the area of your operation and concerned Inuit groups.

In distributing your application the Nunavut Impact Review Board (NIRB) sought comments from these various agencies based on their area of expertise that will help ensure minimum negative impact on the environment. The issuance of this permit indicates that as a result of the NIRB environmental screening process it was decided that the potentially adverse environmental effects that may be caused by your proposal are mitigable with known technology and are not significant. The terms and conditions in the permit will, in our opinion, provide the necessary protection to the environment.

As this application was a replacement for land use permit N2008C0005, we will be closing the old permit effective June 17, 2013. Please note that all existing liabilities for land use permit N2008C0005 will be transferred to land use permit N2012C0024. Upon the completion of your activities, Peregrine Diamonds Ltd. will be responsible for ensuring that all activities on site, including those conducted under land use permit N2008C0005 are reflected in the final plan.

Please ensure that you adhere to the operating conditions, along with the Archaeological Palaeontological terms and conditions, annexed to your permit. Should you have any questions regarding any conditions of this permit, please contact me at 867-975-4283 or email landsmining@inac.gc.ca.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tracey McCaie', with a stylized, flowing script.

Tracey McCaie
Land Administration Specialist

cc: Manager, Field Operations
 RMO - Baffin RMO
 NIRB

Species At Risk in Nunavut

This list includes species listed on one of the Schedules of SARA (*Species at Risk Act*) and under consideration for listing on Schedule 1 of SARA. These species have been designated as at risk by COSEWIC (Committee on the Status of Endangered Wildlife in Canada). This list may not include all species identified as at risk by the Territorial Government.

- a) Schedule 1 is the official legal list of Species at Risk for SARA. SARA applies to all species on Schedule 1. The term "listed" species refers to species on Schedule 1.
- (b) Schedule 2 and 3 of SARA identify species that were designated at risk by the COSEWIC prior to October 1999 and must be reassessed using revised criteria before they can be considered for addition to Schedule 1.
- (c) Some species identified at risk by COSEWIC are "pending" addition to Schedule 1 of SARA. These species are under consideration for addition to Schedule 1, subject to further consultation or assessment.

Schedules of SARA are amended on a regular basis so it is important to periodically check the SARA registry (www.sararegistry.gc.ca) to get the current status of a species.

Terrestrial Species at Risk	COSEWIC Designation	Schedule of SARA	Government Organization with Lead Management Responsibility
Eskimo Curlew	Endangered	Schedule 1	EC
Ivory Gull	Endangered	Schedule 1	EC
Ross's Gull	Threatened	Schedule 1	EC
Harlequin Duck (Eastern population)	Special Concern	Schedule 1	EC
Rusty Blackbird	Special Concern	Schedule 1	Government of Nunavut
Felt-leaf Willow	Special Concern	Schedule 1	Government of Nunavut
Peregrine Falcon	Special Concern (<i>anatum-tundrius</i> complex)	Schedule 1 (<i>anatum</i>) Schedule 3 (<i>tundrius</i>)	Government of Nunavut
Short-eared Owl	Special Concern	Schedule 3	Government of Nunavut
Peary Caribou	Endangered	Schedule 1	Government of Nunavut
Barren-ground Caribou (Dolphin and Union population)	Special Concern	Schedule 1	Government of Nunavut
Polar Bear	Special Concern	Schedule 1	Government of Nunavut
Red Knot (<i>rufa</i> subspecies)	Endangered	Pending	EC
Red Knot (<i>islandica</i> subspecies)	Special Concern	Pending	EC
Porsild's Bryum	Threatened	Pending	GN
Horned Grebe (Western Population)	Special Concern	Pending	EC
Grizzly Bear	Special Concern	Pending	Government of Nunavut
Wolverine (Western Population)	Special Concern	Pending	Government of Nunavut
Atlantic Cod, Arctic Lakes	Special Concern	No Schedule	DFO
Atlantic Walrus	Special Concern	Pending	DFO
Beluga Whale (Cumberland Sound population)	Threatened	Pending	DFO
Beluga Whale (Eastern Hudson Bay population)	Endangered	Pending	DFO

Beluga Whale (Western Hudson Bay population)	Special Concern	Pending	DFO
Beluga Whale (Eastern High Arctic – Baffin Bay population)	Special Concern	Pending	DFO
Bowhead Whale (Eastern Canada – West Greenland population)	Special Concern	Pending	DFO
Killer Whale (Northwest Atlantic / Eastern Arctic populations)	Special Concern	Pending	DFO
Narwhal	Special Concern	Pending	DFO

Updated: January 2012



Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada

LAND USE PERMIT
NORTHERN AFFAIRS PROGRAM

PERMIS D'UTILISATION DES TERRES
PROGRAMME DES AFFAIRES DU NORD

Permit Class - Permis Catégorie

A

Permit No - NE de permis

N2012C0024

Subject to the Territorial Land Use Regulations and the terms and conditions in this permit, authority is hereby granted to:

Sous réserve du Règlement sur l'utilisation des terres territoriales et des conditions de ce permis:

Peregrine Diamonds Ltd.

Permittee - Détenteur de permis

To proceed with the land use operation described in the application of:

Est autorisé à entreprendre les travaux d'exploitation des terres décrits dans la demande de permis du:

Signature

Shirley Standafer-Pfister

Date

July 20, 2012

Type of Land Use Operation - Genre de travaux d'exploitation des terres

Mining Exploration

Location - Emplacement

Chidliak Bay Area, Baffin, NU, NTS 26B

The conditions attached to this permit are incorporated into and form an integral part of the permit.

Les conditions attachées à ce permis en font partie intégrante.

This permit may be assigned, extended, discontinued, suspended or cancelled pursuant to the Territorial Land Use Regulations.

Ce permis peut faire l'objet d'une cession, d'une prolongation d'une cessation d'une suspension ou d'une annulation, en vertu du Règlement sur l'utilisation des terres territoriales.

Dated at

Date à **Iqaluit**

Engineer
Ingénieur

This

Ce **25th** Day of **May**, **2013** jour de

Commencement Date

Date du début des travaux **June 17, 2013**

Expiry Date

Date d'achèvement **June 16, 2015**

NOTE

IT IS A CONDITION OF THIS PERMIT THAT THE PERMITTEE COMPLY WITH ANY OTHER APPLICABLE ACT, REGULATION, ORDINANCE BY - LAW OR ORDER. DEFAULT HEREOF MAY RESULT IN SUSPENSION OR CANCELLATION OF THIS PERMIT.

Canada

REMARQUE

LE DÉTENTEUR DU PRÉSENT PERMIS DOIT SE CONFORMER À TOUT AUTRE RÈGLEMENT, LOI, DÉCRET RÈGLEMENT MUNICIPAL OU ARRÊTÉ APPLICABLE. LE MANQUEMENT À CETTE OBLIGATION POURRAIT DONNER LIEU À LA SUSPENSION OU À L'ANNULATION DU PERMIS.

**CONDITIONS ANNEXED TO AND FORMING PART
OF LAND USE PERMIT NUMBER N2012C0024**

31 (1) (a) - Location and Area

1.	The Permittee shall not conduct this land use operation on any lands not designated in the accepted application, unless otherwise authorized in writing by the Engineer.	PLANS
2.	The Permittee shall remove from Territorial Lands, all scrap metal, discarded machinery and parts, barrels and kegs, buildings and building material.	REMOVE WASTE MATERIAL
3.	The Permittee shall not construct an adit or drillsite within thirty-one (31) metres of the normal high water mark of a stream unless approval in writing is obtained from the Engineer.	LOCATION OF ADITS & DRILLSITES
4.	The Permittee shall provide updated locations of all fuel caches related to this project in Latitude and Longitude from a GPS within 30 days of the establishment to the Inspector and Engineer.	UPDATE LOCATIONS
5.	The Permittee shall locate all camps on gravel, sand or other durable land.	CAMP LOCATION

31 (1) (b) – Time

6.	The Permittee's Field Supervisor shall contact the Land Use Inspector at the Rankin office of the Department of Aboriginal Affairs and Northern Development Canada, phone number (867)645-2831, at least 48 hours prior to the commencement of this land use operation.	CONTACT INSPECTOR
7.	The Permittee's Field Supervisor shall provide notification of commencement of the land use operation to the Engineer at the Iqaluit office of the Department of Aboriginal Affairs and Northern Development Canada either by emailing landsmine@aandc.gc.ca or by telephone at (867)975-4283.	NOTICE TO ENGINEER
8.	The Permittee shall submit a progress report to the Engineer every year during this land use operation.	PROGRESS
9.	The Permittee shall advise a Land Use Inspector at least 10 days prior to the completion of the land use operation of ; a) his plan for removal or storage of equipment and materials, and b) when final clean-up and restoration of the lands used will be completed.	REPORTS BEFORE REMOVAL
10.	The Permittee shall notify a Land Use Inspector at least 10 days prior to backfilling any sump.	BACKFILLING NOTIFICATION
11.	The Permittee shall complete all clean-up and restoration of the lands used prior to the expiry date of this permit.	CLEAN-UP

12.	The Permittee reserves the right to impose closure to any area to the Permittee in periods when dangers to natural resources are severe.	CLOSURE
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31 (1) (c) - Equipment

13.	The Permittee shall not use any equipment except of the type, size and number that is listed in the accepted application, unless otherwise authorized in writing by the Land Use Inspector.	ONLY APPROVED EQUIPMENT
14.	The Permittee shall use a forced-air fuel-fired incinerator to incinerate all combustible garbage and debris.	INCINERATORS
15.	The Permittee shall burn all combustible garbage and debris in a container acceptable to a Land Use Inspector.	INCINERATION
16.	The Permittee shall keep all garbage and debris in a covered metal container until disposed of. Garbage should be stored in such a manner as to prevent access by wildlife.	GARBAGE CONTAINERS

31 (1) (d) - Methods and Techniques

17.	The Permittee shall ensure that all drill areas are constructed to facilitate minimizing the environmental footprint of the project area. Drill areas should be kept orderly with garbage removed daily to an approved disposal site.	DRILL AREA FOOTPRINT
18.	The Permittee shall plug all bore holes as the land use operation progresses.	PLUG HOLES
19.	The Permittee shall refill and restore bore hole craters as the land use operation progresses.	REFILL CRATERS
20.	The Permittee shall not erect camps or store material on the surface ice of streams.	STORAGE ON ICE

31 (1) (e) - Type, Location, Capacity and Operation of Facilities

21.	The Permittee shall not locate any sump within thirty-one (31) metres of the normal high water mark of any water body. The Permittee shall ensure that all sump capacities are sufficient to accommodate the volume of waste water and any fines that are produced.	SUMPS FROM WATER
22.	The Permittee shall maintain all drill wastes at least 1.2 metres below the lowest elevation of contiguous surrounding ground surface at all times.	SUMPS FREEBOARD
23.	The Permittee shall backfill and restore all sumps prior to the expiry date of this permit.	BACKFILL SUMPS
24.	The Permittee shall backfill all sumps in such a manner that drill waste is maintained below the 1.2 metre freeboard.	BACKFILL SUMPS HOW

25.	<p>The Permittee shall:</p> <p>(a) place all excavated material over the sump area.</p> <p>(b) overlap the replaced material a minimum of two (2) metres beyond the edges of the existing sump wall.</p>	BACKFILL SUMP OVERLAP
26.	The Permittee shall not conduct any land based drilling or trenching within thirty-one (31) meters of the normal high water mark of any water body.	DRILLING & TRENCHING LOCATION
27.	The Permittee shall ensure that all drill cuttings are removed from ice surfaces daily.	DRILL CUTTING REMOVAL
28.	The Permittee shall ensure that any return water is non-toxic and will not result in an increase in total suspended solids in the immediate receiving waters if conducting on-ice drilling.	ICE DRILLING
29.	The Permittee shall ensure that drill muds and additives are not used in connection with holes drilled through lake ice unless they are re-circulated or contained such that they do not enter the water, or are demonstrated to be non-toxic.	DRILL MUDS & ADDITIVES
30.	The Permittee shall ensure that the land use area is kept clean and tidy at all times.	CLEAN WORK AREA

31 (1) (f) - Control or Prevention of Flooding, Erosion and Subsidence of Land

31.	<p>(a) The Permittee shall, where flowing water from bore holes is encountered, plug, the bore hole in such a manner as to permanently prevent any further outflow of water.</p> <p>(b) The artesian occurrence shall be reported to the Engineer within forty-eight (48) hours.</p>	PLUG ARTESIAN WELLS
32.	The Permittee shall ensure all overburden/vegetation generated during trenching is stockpiled with erosion prevention measures, and used for reclamation/re-contouring once the trenching/sample activities are completed.	STOCKPILE OVERBURDEN
33.	The Permittee shall employ proper erosion prevention measures (i.e. berms, silt fence) in areas used for trenching activities.	EROSION CONTROL
34.	The Permittee shall remove any obstruction to natural drainage caused by any part of this land use operation.	NATURAL DRAINAGE
35.	The Permittee shall implement suitable erosion and sediment suppression measures on disturbed areas before, during, and after construction to prevent sediment from entering any water body.	EROSION AND SEDIMENT SUPPRESSION
36.	The Permittee shall not move equipment or vehicles without prior testing of the thickness of the lake ice to ensure the lake is in a state capable of fully supporting the equipment or vehicles.	TESTING THICKNESS OF ICE

37.	The Permittee shall suspend overland travel of equipment or vehicles at signs indicative of trail deterioration including increased roughness, exposure of mineral soil, etc. Likewise, upon spring break up, or at such a time as the shorelines of frozen water bodies begin to thaw, the Permittee shall suspend all travel over water bodies if disturbance to the banks or shorelines of any definable water body occurs.	SUSPEND USE OF WINTER TRAIL
38.	The Permittee shall prepare the site in such a manner as to prevent rutting of the ground surface.	PREVENTION OF RUTTING
39.	The Permittee shall not move any equipment or vehicles unless the ground surface is in a state capable of fully supporting the equipment or vehicles without rutting or gouging.	VEHICLE MOVEMENT FREEZE-UP
40.	The Permittee shall suspend overland travel of equipment or vehicles if rutting occurs.	SUSPEND OVERLAND TRAVEL

31 (1) (g) - Use, Storage, Handling and Disposal of Chemical or Toxic Material

41.	The Permittee shall not use chemicals in connection with the land use operation without the prior approval of the Engineer.	APPROVAL OF CHEMICALS
42.	The Permittee shall not use the following materials during the drilling operation without the prior written approval of the Engineer. Chlorinated phenols (Dowicide B, etc.) Compounds composed primarily of heavy metals Asbestos	PROHIBITED CHEMICALS
43.	The Permittee shall deposit all sewage into a sump.	SEWAGE DISPOSAL
44.	The Permittee shall deposit all drill waste containing poisonous or persistent chemical additives into a sump.	DRILL WASTE DISPOSAL
45.	The Permittee shall not allow any drilling waste to spread to the surrounding lands.	DRILL WASTE CONTAINMENT
46.	The Permittee shall burn all garbage and debris at least daily and remove the ash from incineration activities from the land use area to an approved facility for disposal.	GARBAGE DISPOSAL
47.	The Permittee shall remove all non-combustible garbage and debris from the land use area to a disposal site approved in writing by a Land Use Inspector.	REMOVE GARBAGE
48.	The Permittee shall dispose of all combustible waste petroleum products by removal.	WASTE PETROLEUM DISPOSAL

49.	The Permittee shall dispose of all toxic or persistent substances in a manner as approved in writing by the Engineer.	WASTE CHEMICAL DISPOSAL
50.	The Permittee shall dispose of all fluids used to wash machinery and equipment in a sump unless otherwise authorized in writing by a Land Use Inspector.	RIG WASH DISPOSAL
51.	The Permittee shall ensure that appropriate spill response equipment and clean-up materials (e.g. shovels, pumps, barrels, drip pans, and absorbents) must be readily available during any transfer of fuel or hazardous substances, as well as at fuel caches and drill sites.	SPILL RESPONSE KIT
52.	The Permittee shall report all spills immediately in accordance with instructions contained in "Spill Report" form NWT 1752(05/93). Twenty four (24) hour spill report line (867)920-8130.	REPORT CHEMICAL & PETROLEUM SPILLS
53.	The Permittee shall remove and treat hydrocarbon contaminated soils on site or transport them to an approved disposal site for treatment.	CONTAMINATED SOIL

31 (1) (h) - Wildlife and Fisheries Habitat

54.	The Permittee shall not unnecessarily damage wildlife habitat in conducting this land use operation.	HABITAT DAMAGE
55.	The Permittee shall not harass wildlife. This includes persistently worrying, chasing, or disturbing large groups of animals.	HARASSMENT OF WILDLIFE
56.	The Permittee not disturb or destroy the nests or eggs of any birds. If nests are encountered and/or identified, the Permittee shall take precaution to avoid further interaction and/or disturbance (e.g. a 100 meter buffer around the nests). If active nests are discovered (i.e. with eggs or young) the Permittee shall avoid these areas until nesting is complete and the young have left the nest.	WILDLIFE SENSITIVITY
57.	The Permittee shall not extract water from any fish-bearing water body unless the water intake hose is equipped with a screen of appropriate mesh size to ensure that there is no entrapment of fish.	MESH SCREEN REQUIRED
58.	The Permittee shall not block any path or crossings known to be frequented by caribou or cause any diversion to caribou migration, and shall cease activities likely to interfere with migration such as airborne geophysics surveys, blasting, drilling or movement of equipment or personnel until such a time as the caribou have passed.	CARIBOU PROTECTION MIGRATION
59.	During the period of May 15 to July 15, when caribou are observed within 1km of project operations, the Permittee shall suspend all operations including low-level over flights, blasting, and use of snowmobiles and all-terrain vehicles outside the immediate vicinity of the camps. Following July 15, if caribou cows or calves are observed within 1km of project operations, the Permittee shall also suspend all operations in the vicinity, including low-level over flights, blasting, and use of snowmobiles and all-terrain vehicles until caribou are no longer in the immediate area.	RESTRICTION ON ACTIVITY

60.	The Permittee shall not feed wildlife.	NO FEEDING WILDLIFE
61.	Your operation is in an area where bears may be encountered. Proper food handling and garbage disposal procedures will lessen the likelihood of bears being attracted to your operation. Information about the latest bear detection and deterrent techniques can be obtained from the Department of Renewable Resources.	BEAR/MAN CONFLICT

31 (1) (k) - Petroleum Fuel Storage

62.	The Permittee shall report in writing to a Land Use Inspector the location and quantity of all petroleum fuel caches within ten (10) days after the establishment.	REPORT FUEL LOCATION
63.	The Permittee shall not place any petroleum fuel storage containers within thirty-one (31) metres of the normal high water mark of any water body.	FUEL BY STREAM
64.	The Permittee shall locate mobile fuel facilities on land when stationary for any period of time exceeding twelve (12) hours.	FUEL ON LAND
65.	The Permittee shall not allow petroleum products to spread to surrounding lands or into water bodies.	FUEL CONTAINMENT
66.	The Permittee shall store all fuel and chemicals in such a manner as to prevent access by wildlife.	FUEL & CHEMICAL STORAGE
67.	The Permittee shall use adequate secondary containment or a surface liner (eg. Self supporting insta-berms and fold-a-tanks) when storing barrelled fuel and chemicals at all locations as well as re-fueling stations.	SECONDARY CONTAINMENT
68.	The Permittee shall: <ul style="list-style-type: none"> a) examine all fuel storage containers for leaks a minimum of once every day. (b) repair all leaks immediately (c) examine all fuel storage containers for leaks immediately upon delivery 	CHECK FOR LEAKS
69.	The Permittee shall mark all stationary petroleum products storage facilities with flags, posts or similar devices so that they are at all times plainly visible to local vehicle travel.	MARK FUEL LOCATION
70.	The Permittee shall seal all container outlets except the outlet currently in use.	SEAL OUTLET
71.	The Permittee shall mark all fuel containers with the Permittee's name.	MARK CONTAINERS

31 (1) (m) - Matters Not Inconsistent with the Regulations

72.	The Permittee shall display a copy of this permit in a conspicuous place in each campsite established to carry out this land use operation.	DISPLAY PERMIT
73.	The Permittee shall keep on hand, at all times during this land use operation, a copy of the Land Use Permit.	COPY OF PERMIT
74.	<p>The Permittee shall provide in writing to the Engineer, at least forty-eight (48) hours prior to commencement of this land use operation, the following information:</p> <ul style="list-style-type: none"> a) person, or persons, in charge of the field operation to whom notices, orders, and reports may be served; b) alternates; c) all the indirect methods for contacting the above person(s). 	IDENTIFY AGENT
75.	The Permittee shall conspicuously display the land use permit number on all vehicles and equipment.	DISPLAY PERMIT NUMBER
76.	<p><u>Part 1</u> - In this Permit:</p> <p>"sump" means a man-made pit, trench hollow or cavity in the earth's surface used for the purpose of depositing waste material therein.</p> <p>"drill waste" means all materials or chemicals, solid or liquid, associated with the drilling of bore holes and includes bore hole cuttings.</p>	
77.	The Permittee shall abide by and comply with all applicable lawful rules, acts, regulations, and by-laws of Canada, Nunavut, any Municipal or regulatory body or authority having jurisdiction, the Nunavut Land Claim Agreement, and all other agreements, permits, licenses, and other instruments whatsoever related to the project.	ADHERENCE TO LAWFUL RULES, ACTS, REGS & BYLAWS
ARCHAEOLOGICAL & PALEONTOLOGICAL TERMS AND CONDITIONS		
78.	<p>"archaeological site" means a place where an archaeological artifact is found.</p> <p>"archaeological artifact" means any tangible evidence of human activity that is more than 50 years old and in respect of which an unbroken chain of possession or regular pattern of usage cannot be demonstrated, and includes a Denesuline archaeological specimen referred to in section 40.4.9 of the Nunavut Land Claims Agreement.</p> <p>"paleontological site" means a site where a fossil is found.</p> <p>"fossil" includes:</p> <ul style="list-style-type: none"> (a) natural casts (b) preserved tracks, coprolites and plant remains; and (c) the preserved shells and exoskeletons of invertebrates and the eggs, teeth and bones of vertebrates. 	DEFINITIONS

79.	The Permittee shall avoid any known or suspected archaeological and/or paleontological sites.	AVOIDANCE OF ARCHAEOLOGICAL AND/OR PALEONTOLOGICAL SITES
80.	The Permittee shall not remove, disturb, or displace any archaeological artifact or site, or any paleontological site or fossil.	DISTURBANCE OF ARCHAEOLOGICAL AND/OR PALEONTOLOGICAL SITE
81.	<p>The Permittee shall immediately cease any activity should a suspected archaeological, paleontological, or burial site be discovered during the course of a land use operation. The Permittee is required to immediately contact the Land Administration division at Indian and Northern Affairs Canada at (867)975-4283 or (867)975-4285 or (867)975-4280 as well as the Department of Culture, Language, Elders and Youth at (867)934-2046 or (867)975-5500 or 1(866)934-2035.</p> <p>Permission to resume land use operations must be obtained from the Engineer. At such time the Engineer may, at his/her discretion, require that you have an archaeologist or palaeontologist perform the following functions:</p> <ul style="list-style-type: none"> (a) Survey (b) Inventory and documentation of the archaeological or paleontological resources of the land use area (c) Assessment of potential for damage to archaeological or paleontological sites (d) Mitigation (e) Marking boundaries of archaeological or paleontological sites (f) Site restoration 	CEASE OPERATION OF LAND USE ACTIVITY
82.	The Permittee shall ensure that all persons working under the authority of the permit are aware of these conditions pertaining to archaeological sites and artifacts as well as paleontological sites and fossils.	KNOWLEDGE OF ARCHAEOLOGICAL & PALEONTOLOGICAL TERMS AND CONDITIONS