



PO Box 1500  
Yellowknife, NT X1A 2R3

*Your file - Votre référence*

*Our file - Notre référence* **CIDM #499905**

January 27, 2012-01-27

Mark Cliffe-Phillips  
Executive Director  
Wek'èezhii Land and Water Board  
#1 – 4905 48<sup>th</sup> Street  
YELLOWKNIFE NT X1A 3S3

Dear Mr. Cliffe-Phillips,

On January 12, 2012, the Wek'èezhii Land and Water board (the Board) requested that Aboriginal Affairs and Northern Development Canada (AANDC) provide additional clarification with respect to:

- The unit cost for obtaining Type I Rock for use as cover material in the PKC and North Country Rock Pile; and
- Reclamation related security held under other land authorizations issued by the Crown.

On January 19, 2012, AANDC provided further clarification with respect to the unit cost. The following information addresses the second part of the Board's information request.

Diavik Diamond Mines Inc. (DDMI) is the lessee of five Crown leases. Pursuant to the terms of those leases, DDMI has provided the Minister of AANDC with a total of \$11,090,000 in security. The security is allocated in the following manner:

- \$10,000,000 is held under the lease for the mine site, including kimberlite processing plant and related facilities;
- \$1,000,000 is held under the lease for purposes of a quarry/country rock pile, sedimentation pond, processed kimberlite containment area, North Inlet Water treatment basin and other related facilities;
- \$50,000 is held under the lease for the location of an airstrip;
- \$20,000 is held under the lease for use of the land for mining the A154 North and South and A418 pipes; and
- \$20,000 is held under the lease for use of the land for mining the A21 pipe.

Security under the leases is held by the Minister “as security for the performance by the lessee of its obligations under [the] lease”. Where the lessee is noted in default of any of its obligations, the Minister may draw down and use the security to cure the default. The obligations that may give rise to a default include, but are not limited to, the requirement to deliver to the Minister a “plan of restoration” and to undertake ongoing restoration in accordance the plan.

The Minister is also entitled to draw down and use security to respond to a serious and imminent threat to the environment for which the lessee is responsible, of which the lessee has been informed and has not taken measures satisfactory to the Minister.

Furthermore, in the event of a bankruptcy, insolvency or a related proceeding, the lessee is automatically deemed in default. The Minister may draw down and use security to fund performance of an obligation which the lessee has failed to fulfill.

In determining the appropriate amount of security under the leases, AANDC will consider all of the purposes for which security is held and the circumstances under which the Minister may be entitled to draw down and use security. As part of a coordinated review of all securities held by the Minister, AANDC is prepared to review the terms of the lease security held by the Minister.

I trust this responds to your request. If you have any questions, please contact me by email at [teresa.joudrie@aandc-aadnc.gc.ca](mailto:teresa.joudrie@aandc-aadnc.gc.ca) or by phone at 867-669-2647.

Sincerely,



Teresa Joudrie  
Director, Renewable Resources and Environment