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January 19th, 2012

Mark Cliffe-Phillips
Executive Director
Wek'eezhii Land and Water Board
#1-4905 48th Street
Yellowknife, NT X1A 3S3

Dear Mr. Cliffe-Phillips,

Re: **AANDC Response - Wek'eezhii Land and Water Board Request
January 12, 2012 – DDMI Security Review**

On January 12, 2012, the Wek'eezhii Land and Water Board (the Board) requested that Aboriginal Affairs and Northern Development Canada (AANDC) provide additional clarification on the correct unit cost for obtaining Type I rock for use as cover material in the PKC and North Country Rock Pile (NCRP).

Upon receipt of this evidence from AANDC, the Board would be in a position to complete its decision in regards to the total reclamation security required for land and water reclamation of the Diavik mine site.

The Board specifically requested that AANDC provide:

“complete documentation from BCL to support the unit cost used to estimate the costs of obtaining Type I rock to cover the PKC facility and the North Country Rock Pile at the Diavik site. Please indicate whether BCL used the Unit Cost Table on page 19 of Appendix A of AANDC's security estimate for the Diavik site (October 24, 2011). If so, please indicate the cost code that was used. If BCL performed additional or separate calculations to make a site-specific determination of the unit cost for the Diavik site, please include these calculations.”

The Department continues to stand behind its evidence provided to the Board on October 24, 2011; November 25, 2011; and December 30, 2011, in regards to its October 2011 RECLAIM cost estimate for the Diavik Diamond mine. Further, AANDC appreciates the effort from Brodie Consulting Limited (BCL) in their provision of engineering and geotechnical expertise. With respect to the Board's information request, BCL provided the following clarifications:

1. Concerning the Board's edits to the RECLAIM spreadsheet for the cost of quarrying, the edits which they have made are consistent with the assumptions which they wish to apply. For the record, we do not concur with those assumptions.
2. We (BCL) confirm that the unit costs for obtaining accessible Type I rock from the NCRP should be \$3.96/m³. We note that a slightly higher unit cost was calculated for the Snap Lake site (\$4.35/m³). That cost was developed using the detailed Estimator function in RECLAIM. We did not use the Estimator for the current estimate for DDMI site (and to do so now may seem like submission of new information).
3. We (BCL) believe that the cost of similar type of work at DDMI would be slightly lower than at Snap Lake because courser rock could be used and the larger quantity of work would allow some efficiency improvement using larger equipment.
4. We (BCL) also believe that the cost of this work at DDMI would be complicated by the additional effort associated with recovery of Type I rock from the NCRP (i.e. no quarrying) to address the issues of accessibility of Type I rock as per bullet 2 of our Dec 22, 2011 memo. Therefore, the unit cost of \$3.96/m³ is appropriate. We note that in 2011, AANDC and Yukon Government carried out a project which involved some waste rock relocation, albeit on smaller scale than envisioned for DDMI. In that work, the least cost contractor bid \$6/m³ to \$8/m³ for waste rock relocation depending upon source and haul distance.
5. BCL strives to provide accurate independent assessment of the potential reclamation liability at mine sites, on behalf of AANDC. In this regard we attempt to be consistent in our approach. However, all sites are not the same and consequently, we adjust unit costs based upon our understanding of the scope of work at a given site considering: quantity, potential difficulties, timing, and standard of the work needed to meet performance objectives. This means that comparison between sites is useful, but differences should be expected.
6. Further to the above, it should be noted that we (and also the proponent) are working from IRCP documents which are, at best, pre-feasibility level engineering. The level of accuracy in the reports and any associated cost estimate is low. The evolving trend of cost estimates being reviewed as if they are the result of higher order engineering is inappropriate and mis-leading.

AANDC confirms that Brodie Consulting Limited used the Unit Cost table from Appendix A of the October 24, 2011 RECLAIM estimate. Utilizing professional judgment and its extensive experience in developing RECLAIM cost estimates for northern mine sites, Brodie Consulting Limited estimated a "specified" value of \$3.96/m³. This value falls between the "low" and "high" values (\$3.60/m³ and \$5.45/m³, respectively) for unit cost code "SB2" under "excavate soil, bulk." As mentioned above, additional evidence to support this value is provided within bullet 2 of the BCL memo to AANDC dated December 22, 2011. This memo was previously submitted to the Board for their consideration.

The Department wishes to reiterate that it cannot determine the exact cost of remaining Type I rock from the North Country Rock Pile (NCRP) until additional information is made available by DDMI. AANDC expects DDMI to provide this information in updates to the Waste Rock Management Plan or annual Interim Closure and Reclamation Plan Progress Reports.

Within its January 12, 2012 Information Request, the Board also requested that AANDC provide any evidence of reclamation related security being held under other land authorizations issued by the Crown. On January 18, 2012, AANDC met with the Board and DDMI and indicated that the Department is currently reviewing this issue. AANDC understands that the Board has accepted AANDC's request to provide our response by Friday, January 27, 2012. The Department will comply with this timeline.

If you have any questions feel free to contact Mr. Robert Jenkins at (867) 669-2574 Robert.Jenkins@aandc-aadnc.gc.ca or the undersigned at (867) 669-2647 or Teresa.Joudrie@aandc-aadnc.gc.ca.

Sincerely,



Teresa Joudrie
Director, Renewable Resources and Environment