



Company: Diavik Diamond Mines Inc. (DDMI)	
Location: Lac de Gras	License: W2007L2-0003
Date Prepared: December 2, 2011	Meeting Date: December 5, 2011
Subject: DDMI Water Licence Security Deposit Review	

Purpose

The purpose of this report is to present an update regarding the review of Diavik Diamond Mine Inc.'s (DDMI) security deposit, required by Part B, Items 2 and 3 of Water Licence W2007L2-0003 (Water Licence).

Specifically, Board staff present submissions made by DDMI and Aboriginal Affairs and Northern Development Canada (AANDC) on November 25, 2011 in response to the Board's information requests on November 15, 2011. Board staff also seeks guidance on next steps towards finalizing the review and potential amendment to the amount of security required as a condition of the Water Licence.

Background

On November 15, 2011, the Board requested information from AANDC and DDMI regarding their estimates of financial security required for the closure of the Diavik mine (Attachments 1 and 2). Currently, AANDC's estimate of 156.9 million dollars is 41.6 million dollars more than the estimate provided by Diavik. The key differences in the values between the estimates provided are related to two areas of disagreement: 1) whether a quarry is required to obtain inert (Type I) rock for use during closure, and 2) whether enough fuel will remain on-site for closure. The purpose of the information requests was to obtain additional evidence from both parties to further support their positions on these two topics. A complete background and discussion, including relevant documents dating back to 1999, was provided in the November 7, 2011 Board package.

On November 25, 2011, DDMI and AANDC submitted their responses to the Board's information requests (Attachments 3 and 4). Neither party was given the opportunity to submit a full response to the other's submission, although DDMI (on their own initiative) submitted a letter of clarification on November 26, 2011 (Attachment 5).

Discussion

In response to the Board's information request, DDMI has submitted substantially more evidence to support their claim that a quarry will not be needed (see attached DDMI submission dated

November 25, 2011). Staff believe that Information provided to the Board helps answer some of the outstanding questions provided to DDMI in the November 15th information request, specifically information regarding:

- Field verification techniques and methods to confirm inventory and accessibility of Type I rock in the North Country Rock Pile;
- Information on software used to create diagrams and generate the rock volume estimates;
- Software inputs and accuracy;
- Software output accuracy;
- Engineering drawings to support location of Type I rock in the NCRP;

There was not enough time prior to this Board meeting to determine whether AANDC would be satisfied with the level of evidence. AANDC provided information to help clarify their position on the requirement for including a security allocation for bringing sufficient fuel to the site if the Crown is required to undertake closure and reclamation of the Mine in its 2007 and 2011 Reclaim security estimates, but not in their 1999 estimate (see attached AANDC Submission. Board staff have no further questions for either party related to the fuel issue.

Options

Board staff outlines the following options for the Board's consideration:

1. Adopt DDMI's security estimate.
2. Adopt AANDC's security estimate.
3. Hire a third party expert to help the Board resolve the remaining differences between the AANDC and DDMI security estimates.
4. Request that AANDC provide feedback on DDMI's recent evidence related to Type I rock.
5. Request input from legal counsel.

Respectfully submitted,



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Board Support Coordinator



Ryan Fequet, B.Sc.
Technical Coordinator



Mark Cliffe-Phillips

Executive Director

Attachments:

1. W2007L2-0003 - Diavik - Security Review - WLWB Information Request for DDMI - Nov 15_11
2. W2007L2-0003 - Diavik - Security Review - WLWB Information Request for AANDC - Nov 15_11
3. W2007L2-0003 - Diavik - Security Review - DDMI Submission in Response to WLWB Information Request - Nov 25_11
4. W2007L2-0003 - Diavik - Security Review - AANDC Submission in Response to WLWB Information Request - Nov 25_11
5. W2007L2-0003 - Diavik - Security Review - DDMI Clarification in Response AANDC Submission - Nov 26_11