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November 14th, 2011

File: W2007L2-0003

Ms. Teresa Joudrie
Aboriginal Affairs and Northern Development
4914 50th St.
Yellowknife, NT X1A 2R3

Dear Ms. Joudrie,

Re: Wek'èezhìi Land and Water Board Request for Information to AANDC

On November 7, 2011 the Wek'èezhìi Land and Water Board (the Board) met to review the security estimate provided by Aboriginal Affairs and Northern Development Canada (AANDC) on October 24, 2011 and Diavik Diamond Mine Inc.'s (DDMI) October 28, 2011 response.

The difference between the AANDC and DDMI estimates is \$41,517,205 (for the total land and water liability). The October 2011 submissions from AANDC and DDMI included detailed information about the nature of the difference between the two estimates, and the Board has almost all of the information required to make a decision. The primary discrepancies between the AANDC and DDMI estimates are related to the requirement for a quarry and the need to mobilize fuel to the site at closure. The information outlined below is required to assist the Board in resolving these differences.

Requirement for a Quarry

The AANDC security estimate (October 2011) includes over 28 million dollars to develop a quarry for obtaining Type I (inert) rock for use in closing the mine. DDMI did not include this sum because the company maintains that there will be more than enough Type I rock available from the waste rock pile.

Brodie Consultants Ltd. prepared a security estimate for AANDC in 2007, as described in *Diavik Diamond Mine Reclamation Review and Cost Estimate*. In this report, it appears that BCL concluded that the waste rock segregation plan would allow DDMI to ensure that there is sufficient Type I rock for closing the mine, without developing a quarry. The following quotes are from BCL's 2007 report:

- *“Diavik Diamond Mines Inc. (Diavik) has made several significant modifications to the mine plan, primarily with respect to management of potentially acid generating waste rock. These changes will reduce the environmental risk of the proposed development and the effort required to produce an acceptable closure configuration. The modifications which facilitate progressive reclamation are fully supported in that ultimate closure costs are reduced and there will significant opportunity during operations to evaluate the effectiveness of the closure measures.”*
- *“A review of the schedule of production of the main rock types suggests that there will always be a surplus of Type I rock in excess of that required to cover the Type III rock. Therefore, premature closure would not require quarrying to produce the necessary cover material.”*
- *‘Re-evaluation of unit costs as short-fall of inert rock has been precluded due to improved waste segregation and assumptions concerning methodology for placement of course PK.’*
- *“The major modification to the mine plan is the improved waste rock management plan.”*

At the time BCL prepared this report, it was believed that DDMI would mine the A21 pipe, and that Type I rock from this effort could be used to close the PKC and waste rock pile. It is not entirely clear how this assumption impacted BCL’s 2007 estimate, however BCL noted that:

“..there is very little difference between the current and the ultimate liability (assuming no progressive reclamation) due to the relatively minor additional liability associated with the A21 pit and rock pile development. Consequently, only the current and ultimate liabilities have been estimated.”

The Board would like to confirm our understanding of the 2007 estimate, and obtain BCL’s rationale for changing the assumptions related to a quarry. The specific information request is described below.

Information Request

The Board would like more information from AANDC as described below:

1. Discuss how the information provided in DDMI’s October 28, 2011 impacts AANDC’s assumptions regarding the security estimate. If any of AANDC’s assumptions change as a result of this information, provide an updated security estimate.
2. Confirm that in 2007, BCL assumed that all Type I rock required for closure and reclamation would come from the waste rock pile and that there would be enough Type I rock even if DDMI were not to mine the A21 pipe.
3. Explain why AANDC now believes that a quarry is necessary to obtain rock for closure when this cost was not included in the 2007 estimate. For example, are there known changes to operations that necessitate the need for a quarry? Is there evidence that the waste rock segregation methods employed in 2007 were more reliable than they are now?
4. In 2011 and 2007, AANDC included 5.46 million dollars to bring fuel to the site for closure. In 1999, it appears that the security estimate did not include the cost of bringing fuel to the site. Please confirm this, and explain why the assumption regarding fuel changed after 1999.

Please submit this information by Friday November 25, 2011. If you have any questions, please feel free to contact Mark Cliffe-Phillips at mark_cp@wlwb.ca or Patty Ewaschuk at pewaschuk@wlwb.ca.

Sincerely,

A handwritten signature in black ink that reads "M. Cliffe-Phillips". The signature is written in a cursive, flowing style.

Mark Cliffe-Phillips
Executive Director, WLWB