DE BEERS
CANADA
SNAP LAKE MINE

February 12, 2009

Willard Hagen, Chair
Mackenzie Valley Land and Water Board
7Th Floor, 4910 – 50th Avenue
Yellowknife NT X1A 1R6

Dear Mr. Hagen:

Re: Request for Extension to Temporary Ammonium Nitrate Storage

On January 11, 2008 De Beers Canada received approval from the Mackenzie Valley Land and Water Board (MVLWB) for the temporary storage of ammonium nitrate on the Landfarm and the Northwest corner of the North Pile Starter Cell. The duration of the approval was for a twelve (12) month period, beginning on the date of storage in these areas.

On February 1, 2009 Snap Lake Site Services was directed by Environment staff to begin the removal of AN bags located in the Landfarm and relocate them to the emulsion plant pad. This action was taken in order to meet the temporary storage authorization in the Landfarm and starter cell deadline of February 16, 2009. On inspection of the bags contained in the Landfarm, it was discovered that many of the bags were frozen to the ground. This has created a logistical problem for the mine. Trying to remove them will result in tearing and spreading of AN to the ground. Vacuuming potential spilled prill is not an option. The prill compacts under its own weight and will be difficult to remove.

In terms of construction, De Beers would be ill advised to construct a building pad or concrete floor in freezing conditions. Warm weather conditions are required for the proper settling around suitable reinforcements. Regrettably, partially due to these reasons, Snap Lake Mine cannot meet the deadline of February 16, 2009 in terms of having a cold storage cement floored building for AN containment.

In a letter to the MVLWB dated October 3, 2008, De Beers Canada's Snap Lake Mine proposed plans for a "two tier" system of AN containment. The methods included a cement floored building and a secondary containment system of sea cans. The sea cans would allow for the staging of AN until it can be moved into the AN building. This proposal remains the same in principal, however, necessary changes had to be made to accommodate a number of regulatory agencies that govern over land tenure, workman's safety, transportation and storage of explosives. The research into these regulations and the navigation through applicable laws to arrive at an acceptable design has taken most of the past year.

Feedback in a letter from the MVLWB dated October 6, 2008 indicates that the De Beers' AN storage proposal was open for discussion. De Beers understands that this letter is not an approval, but merely opens the door for further discussion about the AN building design and the secondary containment system. As previously stated, a number of changes had to be made to bring the proposal into compliance with various regulations and codes.

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The letter (paraphrased) displays seven items necessary for the board to make an informed approval of the proposed AN building and sea can method of containment and are listed as follows:

1. *An overall site map of the originally intended location and new proposed location*
2. *A close up map of the peninsula (no longer applicable for regulatory reasons)*
3. *A clear explanation of why the change is needed, including a cross referencing table that shows compliance with each set of regulations and legislation*
4. *An engineered building design, stamped by a NWT registered professional engineer*
5. *Procedures for loading and unloading at the building*
6. *A description of why this alternative was chosen and what other alternatives were discussed; and*
7. *Measures used to mitigate impacts on the environment*

The latest revision for the strategy for the Storage of Nitrate Material at the Snap Lake Mine includes answers addressing most of these issues, however, a final engineered design is not yet available and will not be available prior to February 16, 2009. As recently as January 30, 2009 De Beers held a meeting with DIAND Lands Administration to discuss plans for the finalization of a building location. The only developed area suitable for location of the AN Building is in what has been to date; a temporary powder magazine storage. Locating elsewhere in any developed areas would ultimately be in contravention of other regulations. It is within this developed area that De Beers proposes to construct an AN building.

Finalizing the Development Plan

The latest strategy for the storage of Ammonium Nitrate material at the Snap Lake Mine includes tables, maps and research designed to satisfy minimum requirements for MVLWB review (attached as appendix 1.0)

History of Ammonium Nitrate Storage Plan Revisions

In order to find a feasible solution to the AN storage building, De Beers had to engage in a series of approvals, information requests and proposals. Listed below is a brief history of events that lead to the shaping of the current proposal.

January 11, 2008	MVLWB issues De Beers Snap Lake Temporary Storage Approval
January 30, 2008	MVLWB files information requests inquiring about the impacts of increased ammonia use with a response time within 90 days
February 14, 2008	De Beers contracts Golder to re-run Ammonia Nitrate loading model as requested by the MVLWB
February 2008	De Beers Canada is engaged in exhaustive research to determine if amendments were granted by governing agencies to allow for "open air" storage." Although evidence is found that implies amendment, no official authorization records are found
March 2008 24-28	De Beers meets with lawyer in Calgary Alberta to determine the course of action to legally store Ammonium Nitrate in open air conditions
April 12 2008	De Beers receives legal opinion on the right to store AN on lease 10-3-2 in open air conditions
April 30, 2008	De Beers responds to January 30, 2008 request with a copy of the AN model attached and discuses options including other suitable methods of containment

May 1- 30 2008	De Beers researches all weather options ammonia storage options that includes Sea Cans, Silos, hard top buildings and soft top buildings
June 5- 30 2008	De Beers drafts the June 5th 2008 Ammonia Nitrate building on the Emulsion Plant pad document. The design is determined to be non-compliant with NRCAN Explosives Regulations
July 7- 15 2008	De Beers drafts the July 7 2008 revision to the AN Scope of Work. After determining code compliances this scope is advanced.
August 6, 2008	MVLWB files further information request to De Beers citing the Snap Lake Consolidated project description definition of cold storage containment
September 2008	Further research on applicable codes is completed and a table of compliance measures is drafted
October 2008	De Beers responds to August 6, 2008 information request with a general proposal for the two tier system of Ammonia Nitrate Storage, both include all weather containment.
November 2008	The redraft of July 7, 2008 Scope of Work results in "November 18, 2008 Strategy for the Storage of Nitrate Material at the Snap Lake Mine
November 18, 2008	De Beers Canada meets with the WSCC Mine Inspector to discuss the "Strategy for Storage." The November 18, 2008 Strategy is found not feasible based on WCB concerns
January 30 2009	De Beers meets with INAC Lands Administration to discuss land lease options for a permanent Ammonium Nitrate building.

Recorded mitigation measures at the AN Pad

Over the year 2008 a number of actions towards mitigation of ammonia spills have been undertaken.

- The Berm that surrounds the AN storage pad had a secondary liner fused to the geotextile, and the sides were draped over bermed sides to reduce the chances of ammonia nitrate run off spreading to surrounding lands.
- During the spring freshet, increased monitoring by site services was undertaken inspecting for breaches to the berm or liner.
- Monitoring of the Emulsion Plant sump is conducted to ensure freeboard levels are reasonable .
- A draft spill contingency plan was updated to reflect AN spillage specific response
- SNP 02 -09 Water quality results are reviewed frequently and for 2008 are tabled as follows.

At this point in time it would appear that ammonia nitrate storage at the emulsion plant is not in direct contravention of the water license terms and conditions in terms of uncontrolled surface run off. While De Beers remains committed to the construction of a cold storage building, SNP 02-09 show measurements of Ammonia and Nitrates stable at well under the maximum and monthly average limits.

Year	Month	Day	Ammonium	Nitrate
2008	May	11	2.74	24.9
2008	May	25	2.40	3.15
2008	May	28	1.79	2.42
2008	June	2	2.31	2.67
2008	June	7	2.39	3.19
2008	June	29	4.64	7.79
2008	July	4	5.71	8.0

Year	Month	Day	Ammonium	Nitrate
2008	July	12	5.44	8.8
2008	August	2	9.96	16.8
2008	August	30	6.08	9.2
2008	September	8	5.51	5.12
2008	September	23	3.44	6.9
Max Grab			***20***	***56***
Monthly Ave			***n/a***	***28***

Further commitments

Should the January 21, 2009 Strategy for the Storage of Nitrate Material at the Snap Lake Mine be approved by the MVLWB, De Beers Canada will commit to the following actions to demonstrate progress over the course of construction of the AN Building:

- De Beers has provided a preliminary schedule for Milestones that it will maintain in order to demonstrate dedication to constructing an all weather cold storage AN building
- 2009 Ammonia Nitrate deliveries to Snap Lake have been cancelled and no further AN will arrive on site until the AN building is in place (2010)
- Any empty sea cans that become available will be placed on the emulsion plant storage pad and AN bags free of the ground and safe from tearing will be enclosed in them to provide all weather shelter.
- AN bags have been removed from the Starter Cell and no other will occupy that space

Citing the construction and regulatory compliance challenges and given the added mitigation measures, record of compliance over the last year and the commitment to constructing a Cold Storage AN building, De Beers Canada is formally requesting an extension to the current temporary AN storage authorization for the term February, 17 2009 to December 31, 2009 that includes the storage of AN HDPE lined bags on the Emulsion Storage Pad and the LandFarm to allow for the construction of an all weather cement floored building for the containment of Ammonium Nitrate.

If you would like to meet with De Beers staff please contact Dee McCallum at 867-767-8653.

Sincerely

Chantal Lavoie
Senior Vice-President - Operations

cc: Annette Hopkins, INAC
Dee McCallum, DBC
Jason Ash, MVLWB

APPENDIX 1.0

Appendix 1.0

DE BEERS
CANADA
SNAP LAKE MINE

Strategy for the:

STORAGE OF NITRATE MATERIAL AT THE SNAP LAKE MINE

January 21, 2009

Revision: 1

TABLE OF CONTENTS

1.0 DOCUMENT HISTORY

1.1 Revision History

Revision	Date	Comments
A	November 4, 2008	Issued for Review and Comments
0	November 20, 2008	Issued as Final
1	January 21, 2009	Revised as Noted

1.2 Approvals

Rev.	Date	Approver(s)	Signature
1	JAN 21/09	JR de Vries Business Improvement Coordinator	
1	JAN 21/09	Brendan Barron Project Manager	
		Darren Campbell Permitting Coordinator	
		Dee McCallum SHE Manager	
		Brad Corrigan Mine General Manager	