

DE BEERS

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December 31, 2014

File: L020-02

Annette Hopkins
Acting/ Deputy Minister
Lands Department
4923 52 Street
Yellowknife NWT X1A 2L9

Dear Ms. Hopkins:

Gahcho Kue Surface Lease Application – Updated December 2014

De Beers Canada Inc. (De Beers) will submit updated surface lease application for the Gahcho Kué Project to the Northwest Territories Lands Department (“NWT Lands”) for review and processing.

The Mackenzie Valley Environmental Impact Review Board (MVEIRB) conducted a comprehensive environmental impact review of the Gahcho Kue Project and MVEIRB, after considering the evidence and submissions from parties, issued its Report and Reasons for Decision for the Project on July 19, 2013. This Report included consideration of the pipeline and road that is the subject of the NWT Lands letter of December 22, 2014. The Report did not contain any conditions or measures regarding the proposed pipeline and road. The Minister of Aboriginal Affairs and Northern Development, by way of letter dated October 22, 2013, accepted the recommendations of the MVEIRB and approved the Project. This decision, made pursuant to section 135 of the *Mackenzie Valley Resource Management Act*, now governs. Pursuant to section 136(2) of the *Mackenzie Valley Resource Management Act (MVRMA)*:

(2) The federal Minister and responsible ministers shall carry out a decision made under section 135 to the extent of their respective authorities. A first nation, local government, regulatory authority or department or agency of the federal or territorial government affected by a decision under that section shall act in conformity with the decision to the extent of their respective authorities.

On October 22, 2013, the regulatory process for the Project resumed, pursuant to paragraph 129 (a) of the MVRMA. The Board sent a letter to De Beers detailing the post-Environmental Impact Review submission requirements, including the requirement of an **Updated Project Description** that included the pipeline and access road. On November 14, 2013, the Board determined, pursuant to section 22(2)(b) of the MVLUR, that further studies and/or a hearing was required before the issuance of a Permit in order to align the review process for the Permit and Licence applications. De Beers submitted an updated application package, including the Updated Project Description, to the Board on November 28, 2013.

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On December 9, 2013, the Board circulated the updated application package for review and comment. A Work Plan was attached to the review, which established a schedule for the regulatory review of the applications. All parties, including Kennady Diamonds Inc. (KDI), were given the opportunity to participate in the regulatory process, which included review of the applications and draft Permit and Licence, and involvement in the technical session and public hearing processes.

On August 11, 2014 following the comprehensive public review, MVLWB granted a Land Use Permit (MV2005C0032) for the Project for a period of five (5) years commencing August 11, 2014 and expiring August 10, 2019. The Board also released the Reasons for Decision report with a recommendation of the Water Licence (MV2005L2-0015) for approval by the Government of the Northwest Territories Minister of Environment and Natural Resources. On September 24, 2014, the Water Licence MV2005L2-0015 was approved by the Minister of Environment and Natural Resources in accordance with the *Mackenzie Valley Resource Management Act and Waters Act*. This Licence has been approved for a period of 14 years, commencing September 24, 2014 and expiring September 30, 2028.

Consistent with the approvals, permits and licences issued, De Beers submitted a surface lease application. On December 22, 2014, De Beers was notified by the Department of Lands (NWT Lands) that KDI withdrew their letter of consent, dated October 24, 2014, for a pipeline and access road to be placed on their underlying mineral lease 4340 because they concluded that the pipeline is not “temporary” in nature. As noted above, KDI was provided with the same opportunities as all parties to raise these concerns during the MVEIRB and MVLWB public processes. De Beers is of the opinion that KDI cannot now, through the use of a vague letter containing no evidence, attempt to derail the MVEIRB and MVLWB processes. This would be contrary to the regulatory regime in the NWT and unfair to the Gahcho Kué Joint Venture as any assertions should have been raised during the MVEIRB and MVLWB public consultation processes which are now closed.

De Beers, however, affirms that the pipeline installation could be removed after the de-watering and the establishment of the water management pond, which is within the land use permit authorization (MV2005C0032) period of (5) five years as noted above and therefore, should be considered temporary in nature. Should De Beers require the pipeline for a longer period of time, alternative locations could be assessed and appropriate applications issued as part of the regulatory process. This would minimize any potential effects on potential exploration activities on KDI mineral lease 4340.

De Beers discussed the “temporary” nature of the pipeline and access road with you (Acting Deputy Minister of NWT Lands) on December 29, 2014. As a result, De Beers has amended the Gahcho Kué surface lease application to exclude the dewatering pipeline and access road with the intention to operate that portion of the Project under Land Use Permit (MV2005C0032) for a period up to (5) five years.

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De Beers requests that the **NWT Lands confirm their consent for this approach in writing by January 5, 2014** so De Beers can maintain their project schedule as approved under the Project's Land Use Permit (MV2005C0032) and Water Licence (MV2005L2-0015).

Should you wish to discuss the application in further detail, please contact me at (867) 688-8701.

Sincerely,



Veronica Chisholm
Permitting Manager
Gahcho Kué Project

c: Peter Vician, Deputy Minister Industry, Tourism and Investment
Debra Archibald, Assistant Deputy Minister, Industry, Tourism and Investment
Melissa Bard, Lands Specialist Team Lead, Lands Department
Zabey Nevitt, Executive Director, Mackenzie Valley Land and Water Board