December 30, 2011

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 for Information – DDMI Security Review

On December 20, 2011, the Wek’eezhii Land and Water Board (the Board) requested that Aboriginal Affairs and Northern Development Canada (AANDC) provide subsequent information to assist the Board in their reclamation security review for Diavik Diamond Mines Incorporated (DDMI). Previously, AANDC provided the Board with information regarding its RECLAIM security estimate on November 25, 2011 and October 24, 2011.

The Board noted that the purpose of this information request was to increase the Board’s level of confidence that at the end of mine life, there will be enough Type I rock to close the mine as described in the approved Interim Closure and Reclamation Plan (ICRP). AANDC submits the following responses to the Board’s requests as prepared by its consultant Brodie Consulting Limited (Attachment 1).

AANDC and DDMI both agree that 10.4 M m$^3$ of Type I rock is required for cover material as per the approved ICRP. AANDC’s RECLAIM cost estimates included line items associated with quarrying NPAG rock to account for a shortfall of material for cover purposes (NCRP and PKC). If sufficient information has been provided to the Board to alleviate the need for a quarry, removal of the two “Quarry” line items in AANDC’s cost estimate provided on October 24th, 2011 would be required (Impoundment #1 and Rock Pile #1 Spreadsheets).

It is noted that Brodie Consulting Limited identified a typographical error within the ‘unit cost’ utilized in the AANDC October 2011 RECLAIM estimate for the PKC rock cover (i.e. $3.6 vs $3.96). As this amount is in part tied to quarrying, if the Board does not include a quarry in the estimate, an assessment of the ‘unit cost’ to re-mine Type I from the NCRP would be required to ensure that
reclamation security provisions are accurate and the Crown is not under secured. At this time, AANDC cannot determine the exact cost of re-mining Type I rock from the North Country Rock Pile (NCRP) until additional information is made available by DDMI. The information needed to complete this assessment is outlined in Brodie Consulting Limited's memo (see response to Question 2). As such, AANDC cannot be confident that the 'unit cost' used in its October 2011 RECLAIM estimate is accurate as it did not envision exclusively re-mining Type I from within the waste rock pile.

Should such information be provided by DDMI to the Board within annual closure and waste rock management updates, AANDC would initiate a reassessment of RECLAIM security costs at that time.

If you have any questions feel free to contact Mr. Nathen Richea at (867) 669-2657 Nathen.Richea@aadnc-aadnc.gc.ca or the undersigned at (867) 669-2647 or Teresa.Joudrie@aadnc-aadnc.gc.ca.

Sincerely,

Teresa Joudrie
Director, Renewable Resources and Environment
MEMORANDUM

DATE: Dec. 23, 2011

TO: Robert Jenkins, Nathen Richea, AANDC Water Resources

CC: John Brodie, P. Eng.

SUBJECT: Reply to Questions of WLWB Concerning Type I Rock for Reclamtion at Diavik Diamond Mine

The WLWB has presented 3 questions (in a letter dated Dec. 20, 2011) concerning the supply and accessibility of Type I rock for reclamtion of the Diavik Diamond Mine. Our replies are presented below.

1. At this time, and considering the information provided by DDMI, neither BCL nor AANDC are 'sufficiently confident' that the NCRP can provide enough accessible material for closure. However, accessibility issues aside, both BCL and AANDC agree that it is likely that there is sufficient Type I material located somewhere in the NRCP to meet the needs of the closure plan. However, we do not know the following:

   a. Where this material is located (position and elevation),
   
   b. What is the potential for contamination by Type II/III rock at the edges of the zones of Type I.
   
   c. What changes to the reclamtion of the NCRP may arise due to removal of Type I rock.
2. Accessibility of Type I rock:

   a. AANDC’s concerns for the accessibility of Type I rock are based on:

      i. DDMI’s presentation (Dec 2009) of a plan for the NRCP which required re-sloping and covering with Type I rock on about 80% of the perimeter of the NCRP,

      ii. DDMI’s presentation (June 2011) of plans to extract Type I rock from numerous small sources (roads and laydown areas) around the mine site,

      iii. DDMI’s presentation (June 2011) of a plan for removal of Type I rock from the SW area of the NCRP (currently designated as a stockpile), and other zones of in the NCRP, where in the following issues were not apparently addressed:

          1. Location & grade of access ramps,

          2. slope angles of excavated dump faces,

          3. contamination by adjacent Type II/III rock,

          4. management of ice lenses (mine-ability),

          5. management of reject fine Type I rock (due to compaction of intermediate dump surfaces),

          6. consideration of accessibility issues such as:

             a. equipment selection

             b. duration of the work,

             c. cost/m3 of the recovered Type I rock, and

          7. effect of mining on the reclamation plan for the NRCP.

   b. AANDC would like to see a recovery plan for Type I rock which addresses the issues in 2.a.iii items 1 – 6. This assessment should be conducted by a team of qualified professionals (geologists and mining engineers) and presented with the stamp of those persons involved.
3. We confirm that our estimate for reclamation costs at the Diavik Diamond Mine stated that the unit costs for obtaining accessible Type I rock from the NCRP would be $3.6/m3 and $3.96/m3 for the PKC and NCRP respectively. This assumes that quarrying is not required. *We note that unfortunately, the unit cost of $3.6/m3 for the PKC is a typographical error (the digit “9” was omitted) and that the appropriate cost should be $3.96/m3 for both the PKC and NRCP. The adjustment is $2.2M, which is within the accuracy of the overall estimate for the site. This error should be corrected in future revisions to the security estimate.*