January 25, 2012

Mr. Alasdair Martin
Diavik Diamond Mines Inc.
P.O. Box 2498, 5007-50 Avenue
Yellowknife, NT X1A 2P8

Dear Mr. Martin,

Re: Notification of Board Decisions Regarding the Review of the Security Held under Water Licence W2007L2-0003

The Wek’eezhii Land and Water Board (WLWB or the Board) met on January 20th, 2012 to discuss the ongoing review of the security deposit held under the Diavik Diamond Mine Inc. (DDMI) Water Licence (W2007L2-0003).

Based on the evidence provided to the Board by Aboriginal Affairs and Northern Development (AANDC) and by DDMI, the WLWB has made the following decisions:

1. The unit cost for obtaining accessible Type I rock to cover the processed kimberlite containment facility (PKC) has been determined to be $3.96/m³.
2. The total estimated liability costs for land and water reclamation for the Diavik Diamond Mine to be $131,360,000, based on the activities described in the approved Interim Closure and Reclamation Plan (Version 3.2). The calculation of this amount takes into account the amendment to the unit cost for covering the PKC with Type I rock, along with the previous decisions outlined in the letter from the WLWB to AANNDC, dated January 12, 2012.

As was stated in the January 12th letter to AANDC, it is WLWB practice to ensure that both land and water related reclamation liability is held by the Crown. The Board does not hold any land use permits for the Diavik Diamond Mine; therefore, the security amount that is currently required within the Water Licence reflects all the estimated land and water related reclamation activities. It is understood that security may be held under other land authorizations issued by the Crown. If evidence of reclamation related security being held under other instruments is provided to the Board by AANDC or DDMI, they will take that into consideration when setting the amended security value held under the Water Licence.
AANDC in their response to the Board, dated January 19th, 2012 have stated that they will submit a response to the WLWB by January 27th, 2012 regarding this issue. DDMI staff has indicated that they will also be submitting evidence regarding this issue in the near future. If sufficient evidence cannot be provided to the Board regarding other reclamation related securities held under other Crown authorizations, the Board will set the amended security amount held under W2007L2-0003 at $131,360,000.

The basis for these decisions will be explained in the Board’s Reasons for Decision, which will be issued after the Board decides the amended amount of the reclamation liability security that will be held under Water Licence W2007L2-0003.

If you have any questions, please feel free to contact Patty Ewaschuk (pewaschuk@wlwb.ca) or (mark_cp@wlwb.ca).

Sincerely,

Violet Camsell-Blondin
Chair, WLWB

Cc: Teresa Joudrie, Director, Renewable Resources and Environment, AANDC
    Robert Jenkins, Manager, Water Resources Division-AANDC
    Gord MacDonald, DDMI
    Diavik Distribution List