



Independent Environmental Monitoring Agency

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August 12, 2013

Robert Jenkins
Head, Water Resources Division
Aboriginal Affairs and Northern Development Canada
Box 1500
Yellowknife NT X1A 2R3

Mark Cliffe-Phillips
Executive Director
Wek'eezhii Land and Water Board
#1-4905 48th St.
Yellowknife NT X1A 3S3

Dear Mr. Jenkins and Mr. Cliffe-Phillips

Re: Ekati Financial Security

The Wek'eezhii Land and Water Board has completed its review and decision on the global financial security required for the Ekati diamond mine. It is not clear to the Agency how the security is to be divided between land and water and amongst the available instruments.

A total security to cover the approved Interim Closure and Reclamation Plan was set by the WLWB at \$253,473,000 (plus additional amounts to cover Pigeon and Sable pipes). The amount of security approved by the Minister in the water licence renewal for Ekati is about \$83 million. This is well short of the Board's approved amount.

It is our understanding that Aboriginal Affairs and Northern Development Canada (AANDC) holds \$42,675,170 under the Environmental Agreement. Some of these funds may cover matters that were considered to be part of the Interim Closure and Reclamation Plan and/or covered in the recently proposed reclamation liability estimate and additional information provided by BHPB and then Dominion Diamond Ekati Corp.

We further understand that AANDC undertook an internal review using Stratos Consultants to consider how much financial security might be held under the Environmental Agreement to ensure full and final closure and reclamation at Ekati. It is not clear how this work will be used in determining financial security for the Ekati Mine.

Under article 13.2 of the Environmental Agreement, the Agency has the responsibility to be involved in regular and periodic review of financial security for the Ekati Mine. AANDC, GNWT and the company are to consult with the Agency in setting the amount and terms of such security.

We urge the Board to immediately put in place a process with firm deadlines, to increase the security to ensure that the public purse is fully protected.

As we have said in the past, the Agency is ready and willing to work together with the other parties to finalize financial security for Ekati. We all want to avoid over-bonding but also to protect the public against unnecessary risk in assuming liability for closure and reclamation.

We look forward to hearing what the next steps may be in setting the amount, form and instruments to ensure that there is full financial security for Ekati.

Sincerely,

A handwritten signature in black ink, appearing to read "W.A. Ross". The signature is fluid and cursive, written in a professional style.

Bill Ross
Chairperson

cc. Society Members