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May 8, 2006

Gabrielle Mackenzie-Scott
Chairperson
Mackenzie Valley Environmental Impact
Review Board
PO Box 938
5102- 50th Avenue
YELLOWKNIFE, NT X1A 2N7

Dear Ms. Mackenzie-Scott;

**Re: Environmental Assessment of the Gahcho Kue Diamond Mine
Project**

I am writing to you regarding recent discussions at the community scoping workshops between the Mackenzie Valley Environmental Impact Review Board staff (Review Board) and the various communities with respect to the De Beers Gahcho Kue Diamond Project (EA506-008). Indian and Northern Affairs Canada (INAC) was an observer at these workshops, I would like to take this opportunity to present our concerns with the Review Board's current view of the environmental assessment (EA) process.

The two issues that we wish to provide clarification for the Review Board and EA participants are:

1. participant funding for an Environmental Assessment (EA) and Environmental Impact Review (EIR); and
2. the pending decision of the Review Board to order an EIR.

On the issue of participant funding, as stated in the March 20, 2006 letter to you, (attached) the *Mackenzie Valley Resource Management Act* does not include a provision for participant funding for either the EA or EIR processes. INAC does not have an established participant funding program, but does provide funding through the Interim Resource Management Assistance program to Aboriginal communities in unsettled land claim areas. It is not guaranteed that participant funding would be available for EIR processes, but proposals will be considered on a case-by-case basis.

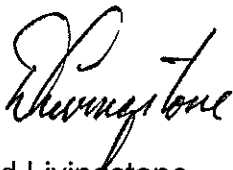
Canada

On the second issue, it is our understanding that the Review Board may be making a decision whether to order an EIR in the near future. As noted in the February 14, 2006, letter to the Review Board, (attached) we trust that, prior to ordering an EIR, the Review Board will have sufficient information and evidence before it to make such a determination and will have completed an environmental assessment as required by section 128(1)(b)(i) or 128(1)(c) of the *Mackenzie Valley Resource Management Act*, as the case may be. More specifically, in addition to scoping the proposed development, an environmental assessment requires the Review Board's consideration of those factors listed in section 117(2).

We look forward to our continued participation with the other parties and the Review Board in this environmental assessment.

Please feel free to contact me directly if you have questions or inquiries related to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Livingstone". The signature is written in a cursive, flowing style.

David Livingstone
Director
Renewable Resources and Environment

cc: Vern Christensen, Executive Director, Review Board
EA participants for the Gahcho Kue Project
Steven Joudry, Director General, Natural Resources and Environment
Anne Snider, Chief, Environmental Policies and Studies, NRE-HQ