



March 17, 2011

Paul Cobban
Permitting Manager
De Beers Canada Inc.
Suite 300, 5102-50th Avenue
Yellowknife, NT X1A 3S8

Dear Mr. Cobban,

RE: Environmental Impact Statement Deficiency Statement

The Panel has completed its conformity check of the Environmental Impact Statement (EIS) submitted by De Beers for the Gahcho Kue Project. This letter serves as a deficiency statement, identifying the Terms of Reference (ToR) items that still need to be addressed.

The EIS in general has addressed the great majority of the items in the ToR. It is impressive that only a few conformity-related deficiencies remain, considering the breadth of the Terms of Reference. The Panel also found the document generally well written and readable, and largely well-organized. The obvious level of effort that De Beers has applied in writing the EIS will help parties and the Panel during the later stages of the review.

Some items in the ToR have not been addressed. Responses to these items are required before the review progresses to the analytical stage.

1. ToR 4.1.2 (Water Quality and Fish in Kennady Lake) requires a description of all potential sources for water contamination. The EIS states that it contains no assessment of phosphorus releases and potential effects on fish. However, this information is necessary at this point in the review.
2. ToR 4.1.5 (Family and Community Cohesion) and ToR 4.1.7 (Long Term Social, Cultural and Economic Effects) include many items intended to evaluate potential social impacts on the well being of people in communities, in light of the different vulnerabilities of each community. The same sections require an examination of various economic considerations related to timing, opportunity costs and other issues. Some other socio-economic items that were not addressed relate to demand on community infrastructure (ToR 5.3.3).

Many of the points in ToR 4.1.5 and 4.1.7 were not addressed in the EIS. De Beers identified challenges in collecting some of this information. Where De Beers is unable to gather the requested information despite best efforts, it should at least describe its best predictions, providing the underlying premises and reasoning in detail.

3. ToR 5.2.6 (Waste Rock and Processed Kimberlite Storage) requires a description of long-term management plans for processed kimberlite with respect to permafrost, and a description of impact of climate change on frozen waste rock and processed kimberlite.
4. ToR 5.3.1 (Employment, Training and Economic Development) required a description of how De Beers will require its contractors to have commitments similar to its own for maximizing regional and Aboriginal employment.
5. ToR 5.3.4 (Culture, Heritage and Archaeology) required a comprehensive analysis on potential impacts to cultural activities from the project.

The Panel has determined that other minor deficiencies can be dealt with in later stages of the assessment. For the above deficiencies, please submit detailed responses by May 2nd, 2011. When the Panel receives satisfactory responses, it will deem the EIS to be in conformity. The Panel anticipates issuing a revised workplan at that time. Please contact me if you have any questions.

Sincerely,



Alan Ehrlich
Panel Manager