



June 25, 2009

File: L020

Ms. Gabrielle Mackenzie-Scott  
Chairperson  
Gahcho Kué Diamond Mine Environmental Impact Review Panel  
Mackenzie Valley Environmental Impact Review Board  
200 Scotia Centre  
Box 938  
Yellowknife, NT X1A 2N7

Dear Ms. Mackenzie:

**Re: Progress on Gahcho Kué Environmental Impact Statement – EIR0607-001**

On May 29, 2009 you wrote to enquire about the status of the Environmental Impact Statement (EIS) for the proposed Gahcho Kué Project. Below is the requested update and relevant background.

We are pleased to report that substantive progress has been made on the EIS for the proposed Project. The following are highlights of the advancements made to date on preparing a document that meets the Terms of Reference:

- Seeking communities feedback on the proposed mine to be incorporated into the design, construction and operation of the Project.
- Following receipt of the Final Terms of Reference for the EIS issued on October 5, 2007, completely restructured the layout of the document and the writing team so that the Key Lines of Inquiry and Subjects of Note meet the unanticipated requirement that they are a stand-alone analysis which requires only minimal cross-referencing.
- Bringing the sections of the document that provide the relevant baseline data to a satisfactory state of readiness. ;
- Completing the necessary modeling and analysis.; and,
- Advancing the rewriting and / or restructuring of all previously existing analysis, interpretations and text to provide the information required in the Final Terms of Reference and presenting it in on a stand-alone basis that requires only minimal cross-referencing.



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On December 8, 2008, when we wrote to the Gahcho Kué Diamond Mine Environmental Impact Review Panel (the Panel) to say that while pursuing the development of the Project, De Beers had been evaluating the Project internally and assessing the risks the Project faced given the economic climate emerging at that time. The evaluations determined that additional time was required to conduct further internal assessments of the execution of the Project prior to moving ahead with the Environmental Impact Review. On that date we anticipated that it would take some time to review the Project in light of the status of the global economy and finalize the EIS. De Beers anticipated that it would be in a better position to report back to Panel with an update in late 2009.

At the time the letter was submitted to the Panel, we were beginning to experience a significant impact on our business globally as a result of the world economic downturn. Given that the factors affecting our business and national economies were not in our control, and that we anticipated the economic slowdown to have a significant impact on our business in 2009, the management decision was taken to slow down or pause a number of our activities planned for 2009 in Canada. This included temporary shutdowns at our Canadian mines and some work anticipated to occur for the Project.

These steps were taken to ensure our business could successfully come through this difficult period with a positive cash flow. While it means the work we had planned for the Project is progressing slower than anticipated, our commitment to the Project remains firm. Our expectation is that this economic climate will continue to substantively impact our business well into 2009, and we are monitoring the situation closely.

In 2009 we have been advancing additional internal evaluations of the Project. This work is being done to increase our understanding of the project risks and opportunities, given the foreseeable near to mid-term economic environment. The additional work has focused on completing additional drilling data analysis, and obtaining an independent assessment of our results.

Building on the investment made in the EIS to date and on the additional drilling data and results, De Beers is now discussing with our joint venture partner the possibility of moving forward with a Feasibility Study. This is an important next step in advancing the Project and is an integral component to providing a complete EIS suitable for submission. It provides an opportunity to examine in more detail the proposed project description and further evaluate the alternate means of executing elements of the proposed mine during its construction, operations and closure. Any significant changes to the project description that arise from this study will be communicated to the Panel. Recognizing the value of people's time, our interest in undertaking this work is to provide the most complete description and assessment possible of the proposed mine before the more substantive parts of the Analytical Phase of the Environmental Impact Review proceed.



While we are unable to confirm the exact date for submission of the EIS at this time, we do anticipate having clarity regarding the timelines for the Feasibility Study and the subsequent submission of the EIS by October 20<sup>th</sup>. By this date, we will be in a position to update the Panel regarding our expectations around the submission of the EIS. I would like to assure the Panel that we are working to provide an EIS that presents the relevant information that is as accessible as possible to the reader and we hope will facilitate the consideration of the proposed mine.

De Beers appreciates the significant planning and resources that go into reviewing a project such as the proposed Gahcho Kué Project on the part of the Panel and Parties to the Environmental Impact Review. We have kept in the forefront of our planning the need to provide advance notice to the Panel and the Parties to enable participants to be ready for the submission of the EIS and the continuation of the Environmental Impact Review. De Beers will continue to do so and look for opportunities, such as focused workshops, to provide the Parties with an orientation to the document.

We will be pleased to provide progress reports August 20<sup>th</sup> and every three months thereafter until we submit the EIS in order to assist the Panel in planning for the work related to our EIS submission

Yours truly,



Chantal Lavoie, P. Eng  
Chief Operating Officer

