



August 20, 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: Update 1 on the 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. At that time you requested that an update be filed in June and that a progress report be provided by August 20 and every three months thereafter until the submission of the EIS. This letter represents the first such update which continues from the information provided in the June 25, 2009 progress report.

The company has continued to experience adverse affects of the global economic crisis on our business as previously discussed. While the trading environment in the rough diamond market was extraordinarily difficult in the first quarter, we have begun to see improving trends in the second quarter. While these may be indications that the economic conditions affecting our business are abating, it is too early yet to draw this conclusion. We continue to monitor our operations and our expenditures very closely, ensuring our company remains cash positive during these difficult market conditions.

Since our last update, De Beers and our joint venture partner on the project, Mountain Province Diamond Inc., have amended our agreement. The amendments were concluded in July. Under the terms of the amended agreement, we have agreed with our joint venture partner to cause a Feasibility Study to be commissioned as quickly as possible. We are now reviewing proposals and we expect to make an announcement regarding the timing of the Feasibility Study in the near future. Currently our work is focused on moving the Feasibility Study forward. We will have more information regarding the timing of the study's completion and the subsequent submission of the EIS in our second update on November 20, 2009. As stated previously, the Feasibility Study is an important next step in advancing the Project. It is an integral component to providing a complete EIS suitable for submission. The development of the EIS continues in parallel with the Feasibility Study as the project



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description and execution plan for the project will be finalized as part of the Feasibility Study process. Moving the Gahcho Kué Project forward through the environmental impact review process continues to be a priority for the company.

Thank you for the opportunity to provide this update. We look forward to providing the second next update on November 20, 2009.

Yours truly,



Chantal Lavoie, P. Eng  
Chief Operating Officer

