



BY E-MAIL & MAIL
(*admin_dkfn@northwestel.net*)

March 10, 2014

Deninu K'ue First Nation
P.O. Box 279
Fort Resolution, NT X0E 0M0

Attention: Chief Louis Balsillie

Dear Chief Balsillie:

Re: Lynx and Jay/Cardinal Projects

Thank you for your letter dated February 17, 2014 on behalf of the Deninu K'ue First Nation ("DKFN") concerning the Lynx and Jay/Cardinal pipes. I am excited about the opportunities presented to all of our stakeholders by the further development of the Ekati Mine, and I would like to take this opportunity to respond to the points that you have made in your letter.

Firstly, I should clarify that the Lynx and Jay/Cardinal kimberlite pipes form part of the previously defined claim block for the Ekati Mine and are not new discoveries, with Jay itself being discovered in 1994. The 1994 Project Description Report made clear that there were other diamondiferous pipes that would be mined if proved economically viable. Lynx and Jay/Cardinal were not originally developed by the previous owner, BHP, because they did not represent as attractive an investment as some of the other pipes due to the relatively high capital required for development and the relatively low ore value. The Lynx and Jay/Cardinal pipes will form part of the operational footprint of the Ekati Mine and will rely on the currently in place processing facilities. The Lynx and Jay/Cardinal pipes are therefore extensions of the Ekati Mine, and are not distinct new mining projects.

As you are aware, BHP entered into an impact benefit agreement for the Ekati Mine with the Akaitcho Treaty 8 (specifically, the Yellowknives Dene First Nations and Lutsel K'e First Nation) effective November 14, 1996 (the "AT8 IBA"). When it acquired the Ekati Mine, Dominion assumed all of the liabilities and obligations of BHP under the AT8 IBA and has continued to honour those obligations throughout its operation of the Ekati Mine. Our records demonstrate that BHP engaged in extensive consultations related to the Ekati Mine starting in 1993 and that the DKFN participated in those consultations. BHP entered into negotiations and, ultimately, impact benefit agreements with the Akaitcho Treaty 8,

Dogrib Treaty 11 Council, North Slave Metis Alliance and Hamlet of Kugluktuk/Kitikmeot Inuit Association. These groups were also given representation on the Independent Environmental Monitoring Agency established pursuant to the Environmental Agreement that BHP entered into with the federal and territorial governments in connection with the project.

The impact benefit agreements signed by BHP (including the AT8 IBA) are a comprehensive approach for compensating affected Aboriginal communities for the full life of the Ekati Mine. These arrangements were designed to ensure that affected communities would receive long-term benefits from the Ekati Mine, while providing the mine owner with the certainty that is required to secure the significant investment needed to develop the kimberlite pipes within the claim block. Consistent with this approach, new impact benefit agreements have not been entered into as other pipes within the Ekati Mine claim block have been permitted or brought into production (e.g., the Sable, Pigeon and Beartooth pipes), and the benefits provided for under the existing impact benefit agreements have continued to be conferred. Dominion does not intend to re-open its existing impact benefit agreements, or negotiate new agreements, for the Lynx and Jay/Cardinal pipes.

Although the DKFN is not a direct party to an impact benefit agreement in connection with the Ekati Mine, it is nonetheless my understanding that the DKFN have shared in the benefits of the AT8 IBA through an arrangement with the other Akaitcho Treaty 8 Nations. If the Lynx and Jay/Cardinal pipes are developed, then this would extend the benefits of the AT8 IBA for up to a further 20 years on the basis of underground mining following the open pit development.

Dominion believes that, in addition to the benefits the DKFN receive from the AT8 IBA, the development of the Lynx and Jay/Cardinal pipes will also offer significant other opportunities for the DKFN. Dominion is, as you know, party to a Socio-Economic Agreement relating to the Ekati Mine, and under that agreement Dominion has agreed to make available training, employment and business opportunities to northern residents. Dominion would welcome the opportunity to discuss with you the ways that the DKFN can enjoy the benefits provided for under the Socio-Economic Agreement. In addition, we would also be happy to discuss with you the possibility of hosting a job fair for the Ekati Mine in Fort Resolution.

Finally, as you know, the Terms of Reference issued by the Mackenzie Valley Review Board for Jay/Cardinal have identified DKFN as a potentially affected community and incorporate public consultation and the use of traditional knowledge into the environmental assessment process. We welcome your input as part of that process.

I hope this letter answers your questions. Feel free to contact me again if you have further questions.

Best wishes,



Robert A. Ganniott
Chairman & Chief Executive Officer
Dominion Diamond Corporation

c.c.: The Honourable Robert McLeod
Premier of the Northwest Territories

The Honourable Bernard Valcourt, M.P., P.C.
Minister of Aboriginal Affairs and Northern Development Canada

Mr. Willard Hagen, Chair, Mackenzie Valley Land and Water Board

Mr. Richard Edjericon, Chair, MVEIRB