

Let's talk

An opportunity to discuss the Snap Lake Mine's Water License

APRIL 2011

Introduction and Purpose

The Snap Lake Mine is our first diamond mine outside of Africa and is Canada's only completely underground diamond mine. It is located about 220 km northeast of Yellowknife. The mine's Water License expires in 2012 and we plan to file an application to renew the License in June 2011. We will be asking for a fifteen year license term.

This newsletter provides information about our mining operation and more specifically about how we use and manage water. We welcome any questions, comments, or suggestions that you think we should consider as we prepare for submission of our Water License application.

Background Information

Discovered in 1997, the Snap Lake kimberlite deposit averages 2.5 to 3 metres in thickness and dips down beneath the lake at an angle of approximately 12-15 degrees.

Following an environmental assessment and permitting process that took place from 2001 to 2004, we received a Class A Land Use Permit and Type A Water License from the Mackenzie Valley Land and Water Board in May 2004. This allowed us to commence the construction and operation of the Snap Lake Mine. Construction began in 2005 and the mine's construction was substantially complete around the end of 2007. The mine went into production in 2008.

At full production the Snap Lake Mine produces 1.5 million carats of diamonds annually. Following a difficult economic period, in which we scaled back production significantly in 2009, we are now on track to



Randy Freeman, left, and Jonas Sangris compare jars of untreated Snap Lake Mine water to bottled water during a Water License workshop held for the Yellowknives Dene First Nation in early February.

meet full production targets in 2012.

In October 2010, we filed an application with the Mackenzie Valley Land and Water Board (MVLWB) requesting renewal of the mine's Land Use Permit, which was expiring in 2011. The MVLWB reviewed the company's application, as well as comments on the

application submitted by regulators and communities. A new Land Use Permit was issued on February 16, 2011.

The current Snap Lake Water License expires on April 14th, 2012 and we expect to submit an application for a new Water License in June of this year.

ABOUT DE BEERS

De Beers, established in 1888, is the world's leading rough diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. Together with its joint venture partners, De Beers operates

in more than 20 countries across six continents employing more than 16,000 people, and is the world's largest diamond producer with mining operations across Botswana, Namibia, South Africa and Canada.

De Beers has been working in Canada for about 50 years. For most of that

time, the company explored for diamonds and during the past 10 years the company has transformed itself into a Canadian mining company. De Beers Canada's head office is in Toronto, Ontario. Regional offices are located in Timmins, Ontario and Yellowknife, Northwest Territories.

In addition to the Snap Lake Mine, De Beers operates the Victor Mine in the James Bay Lowlands of Northern Ontario. De Beers is also a 51% partner in the proposed Gahcho Kué Mine at Kennady Lake, which is located about 280 km northeast of Yellowknife.

FACT FILE

MINE FACTS

Snap Lake Mine Production 2008-2010

	2008	2009	2010
Carats	810,000	444,000	926,000
Tonnes Treated	902,518	345,000	855,000

Mining Area - <500 hectares

Annual tonne processing capacity - 1.1 million tonnes

Annual carat production capacity - 1.5 million carats

Workforce - 635*

NWT Workforce - 229*

Aboriginal Workforce - 123*

Female Workforce - 84*

* Person Years as of Dec. 31, 2010

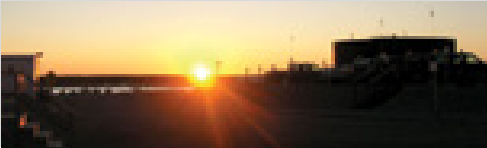
FINANCE

Capital Cost to Construct -
\$975 million

Total Expenditures (Jan. 1, 2005 to
Jan. 15, 2011) -
\$1,542,607,687

NWT Expenditure -
\$1,080,933,242 (70.07%)

Aboriginal Portion -
\$677,593,597 (62.29% of NWT expenditure)



GLOSSARY OF TERMS:

Sump - a collecting basin built underground or on the surface that is used to hold water.

Sediment - particles of dirt or other material in water

Cell - a walled or bermed area constructed to hold material, whether it is water in the main settling sump or waste rock/processed kimberlite in the North Pile.

Berm - a barrier made of earth and rock

Grout - a concrete-like substance used to plug cracks and holes in the rock underground.

Snap Lake Mine's Water License

The current Water License for the Snap Lake Mine (MV2001L2-002) was issued by the MVLWB in April 2004. It sets in place the terms and conditions for how we can use water at the mine, how we should manage waste and it establishes the requirements for the quality of water that we can release into the environment. It also establishes what

specifically must be monitored and reported publicly to ensure we are compliant with our Water License terms and conditions.

These License conditions were established using information from the Snap Lake environmental assessment and permitting process. The regulatory process is a co-management process that allows everyone to provide input into the License terms and conditions that the regulators set to allow the mine to operate. It involves interveners like federal government departments. Examples

include Indian & Northern Affairs Canada, Department of Fisheries and Oceans and Environment Canada. It also involves the Government of the Northwest Territories, Aboriginal groups, communities and members of the public. License terms and conditions are set to protect the fish, wildlife, water quality and vegetation in and around Snap Lake and downstream.

Although we are still developing our next Water License application, we are not planning to propose changes to the scope of the existing Water License.

Current monitoring shows that impacts resulting from the operation are in line with predictions made during the environmental assessment. Monitoring results show that the water in Snap Lake is clean and the fish are healthy.

The maximum license term under the Northwest Territories Waters Act (NWTWA) is 25 years. We will be asking for a 15-year license term. We are required to meet license conditions, regardless of the term of the license, and we are committed to doing so. Regular reporting to regulators, independent monitoring of our results and the availability of our results to the public ensures public transparency.



ENGAGING COMMUNITIES

In early 2011, De Beers held community workshops a number of Aboriginal groups from communities close to the mine. Two technical workshops with community and regulatory representatives are planned for April 20th and May 4th. The April 20th workshop focuses on water quality and the workshop on May 4th examines closure and reclamation.

WHAT IS A WATER LICENSE?

In general, water licenses provide mines and others, such as community governments, with the right to alter, divert or otherwise use water, and to deposit and manage waste subject to conditions provided by legislation and the water license.

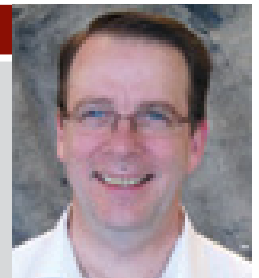
Water licenses exist to ensure that the development, ongoing operation and closure of a project all have

appropriate measures in place to allow the project to proceed while protecting the environment and human health.

Under the NWT Waters Act, two types of licenses can be issued: Type 'A' or Type 'B'. The legislation outlines how to determine the type of license required for a specific project. Most major projects, including all three diamond mines and communities such as Yellowknife and Hay River require a Type 'A' license.

A mine cannot operate without some level of impact on the surrounding environment. At De Beers, we are committed to mining diamonds profitably and without harm to people or to the environment.

- David Putnam, Director, Safety, Health & Environment, De Beers Canada



Managing water underground

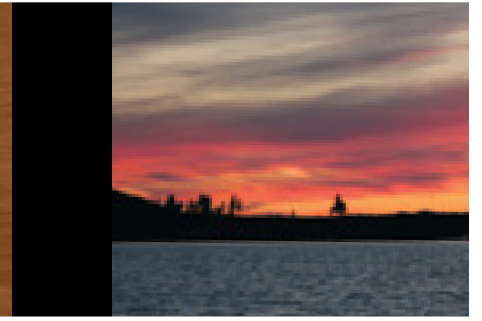


Photo above: The underground pumping station

Over 90 per cent of the water being managed and treated at Snap Lake Mine comes from the underground mine. Our goal in managing water underground is to ensure blasting minimizes the amount of ammonia that goes into the water underground and to separate out as much sediment in the water as possible before we send the water up to the Water Treatment Plant.

In 2010, approximately 20,000 cubic metres of water was pumped daily from the mine into the Water Treatment Plant. Water underground comes from two sources: water that's naturally trapped in the rocks underground (called connate water); and water from Snap Lake that is seeping down through cracks in the rock below the lake.

When spaces are opened up underground from our mining activity, it is natural for water to flow into that area.

Water is collected underground in a series of ditches, sumps and drain holes, and is directed to a main settling sump that can hold approximately 334 cubic metres (334,000 litres). This four-cell structure is a large cavern underground separated into four rooms by timber dam walls. As the water is held in a cell, sediment and dirt in the water settles to the bottom. The cleanest water on top then flows into the next cell, and so on. After going through the four cells, water is pumped up to the Water Treatment Plant on surface.

This sediment in the sump is cleaned out twice a year and is deposited in the North Pile on surface.

HOW WE MINE

Kimberlite is the host rock in which diamonds are found. Safely mining the kimberlite at the Snap Lake Mine is a four-stage process.

1. Crews use two-boom jumbo drills to drill a series of holes up to four-metres deep into the mine face.
2. Trained Blasters load these holes with emulsion, an explosive made from ammonium nitrate. De Beers' operating procedures are designed to minimize how much emulsion is used and to ensure the ammonia is consumed in the explosion. Blasts take place twice a day, at the end of each 12-hour shift, once all employees have come to the surface.
3. Scoops gather up the kimberlite or waste rock, loading it into haul trucks. Kimberlite is taken to the underground crusher. The waste rock is transported to a waste transfer location. Both these types of rock are transported to the surface. Kimberlite is transported from the underground on an enclosed conveyor into the process plant on surface. The waste rock
4. Loose rock on walls and ceilings is also "scaled" or knocked to the ground. Bolters install long metal bolts and wire screens onto the walls and ceiling of the mine, to secure rock surfaces.



Jumbo Drill



Rock Bolter



Scoop loads haul truck

TWO PORTALS TO UNDERGROUND

Access to the underground mine is via two portals, one for equipment and people and the second for a covered conveyor that stretches 1.3 km beneath the surface to the

underground crusher. The underground mine is comprised of a growing network of drifts and ramps – about 10 km by the end of 2010. The length of this network is expected to increase by about seven kilometers as mining advances through 2011.

Water management system

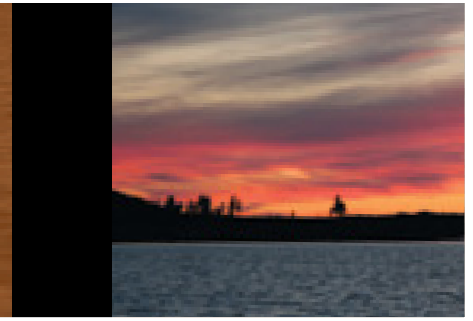


Photo above: Water from underground flows into the Water Treatment Plant

In 2010, the Water Treatment Plant (WTP) processed an average of 20,000 cubic metres of water each day. The plant's daily capacity is 35,000 cubic metres. The plant is fully automated and its systems are monitored and managed 24 hours a day, 365 days a year by an operator and millwright. The WTP automated controls can be switched over to the control room in the Process Plant, so that operators in the Process Plant can monitor the Water Treatment Plant while the operator is doing hourly visual checks of the equipment in the WTP.

Water coming into the WTP first goes into the reactor tank. There, an iron compound, called ferric sulphate, and an inert polymer are added to the water. These materials act like magnets and cause dirt in the water to clump together, becoming heavier.

The water in the reactor tank then flows to the clarifier. This is a three-million litre cone-shaped tank where water is held and the clumped particles now sink to the bottom. Clean water at the surface is drained off and flows to the filter feed tank and then through a series of

filters, which remove ever-smaller particles and impurities from the water.

The final treatment stage before water is released into Snap Lake is the adjustment of the pH balance of the water to ensure it matches the pH balance in the lake.

Treated water is transported to two locations. Some of it is sent to the Process Plant where it is used as part of the process to crush and wash kimberlite in preparation for diamond extraction. It is also pumped through a pipeline to the lake, and is then discharged through a diffuser. The diffuser allows the treated water in the pipeline to go back into the lake in a number of smaller outlets so that the impact of the flow back into the lake is reduced.

The dirt that has sunk to the bottom of the clarifier is also pumped to the Process Plant, but in a separate system that goes directly into the Processed Kimberlite (PK) which is then pumped to the North Pile. The water seeping from the North Pile is then collected and pumped back to the WTP for treatment.

FACT FILE

Fact: Water is not withdrawn from Snap Lake for use in the Process Plant. Only recycled mine water is used.



WATER FILTERS

Dirt and other sediment is removed from water via a series of filters inside the Water Treatment Plant at Snap Lake Mine.



CLARIFIER TANK

All water flows through the three-million litre clarifier tank inside the Snap Lake Mine Water Treatment Plant. In the tank, sediment sinks to the bottom, where water and sediment are recycled for use in the mine's Process Plant. Clean water on top flows from here through to a filter feed tank and then through a series of filters.



SAMPLING WATER

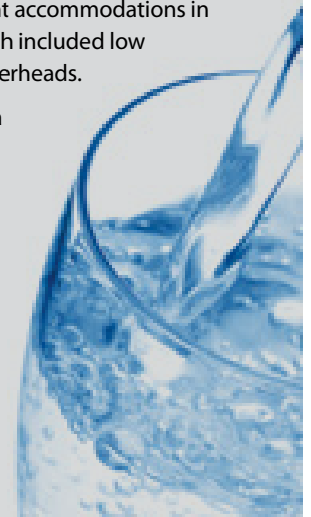
Water samples are drawn and tested from various places along the water treatment system at Snap Lake Mine, to ensure all systems are functioning correctly.

DOMESTIC WATER

All water used for domestic purposes at the mine is drawn from the west arm of Snap Lake. Potable water used for cooking, drinking and other domestic use is treated in a separate treatment plant to meet Canadian drinking water standards.

In 2010, 55,814 cubic metres of water was withdrawn from Snap Lake. This amount is expected to decrease thanks to the opening of the new permanent accommodations in December 2010, which included low flow toilets and showerheads.

Sewage is treated in a separate treatment plant. Water is discharged through the Sewage Treatment Plant and dewatered solids are buried in the North Pile.



FACT FILE

The Company's current Water License allows the use of 188,000 m³ annually from Snap Lake. Based on use in 2010, the Company is using about 30% of the maximum amount allowed.

WATER USE ^A

Water used from Snap Lake in 2010.	55,814 m ³
Discharge to Snap Lake	7,289,399 m ³
Water from Mine	7,408,035 m ³
Water Recycled for use in Process Plant	301,971 m ³
Treated Sewage Effluent	55,814 m ³
Surface Water Pumped to the Water Treatment Plant ^B	245,326 m ³

A. All numbers are preliminary from 2010 unless otherwise noted
 B. 2009 Water License Annual Report



The North Pile

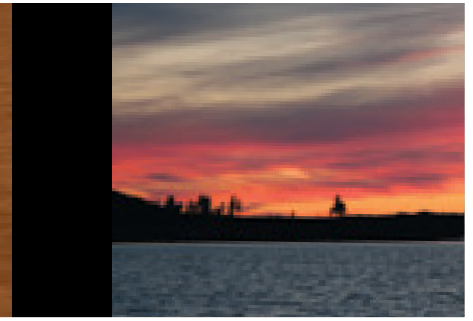


Photo above: Aerial view of the North Pile

The North Pile is an engineered, permanent containment facility, constructed on the surface to contain most of the mining waste from mining operations at Snap Lake.

The North Pile will be constructed over the life of mine in three separate cells. The first phase, or Starter Cell, was completed in 2007.

Construction on the East Cell began in 2010 and will be complete in 2012. The final phase, the West Cell, will be built later in the mine's life.

The North Pile has been engineered to mitigate any impacts that the materials stored in it may have on the environment or human health. For example, some of the mining waste rock has the potential to generate acid if exposed to a mixture of air and water. To minimize the chances of exposure of this kind of rock to air and water, all potentially acid-generating rock is placed within the North Pile at a minimum of four (4) metres from the exterior of the pile and is covered. The North Pile's design allows water to seep out into a network of ditches. Collection sumps, pipes and pumps surround the facility to collect the water. From these sumps, water is pumped through pipelines to the Water Management Pond, which holds the water until it can be sent to the Water Treatment Plant for treatment before being released into Snap Lake.

Processed kimberlite (PK) makes up the majority of material deposited into the North Pile. The amount of PK deposited in the North Pile will decrease in 2012 when about half of the PK begins to be deposited back underground, filling in mined out areas.

FACT FILE



Fine processed kimberlite

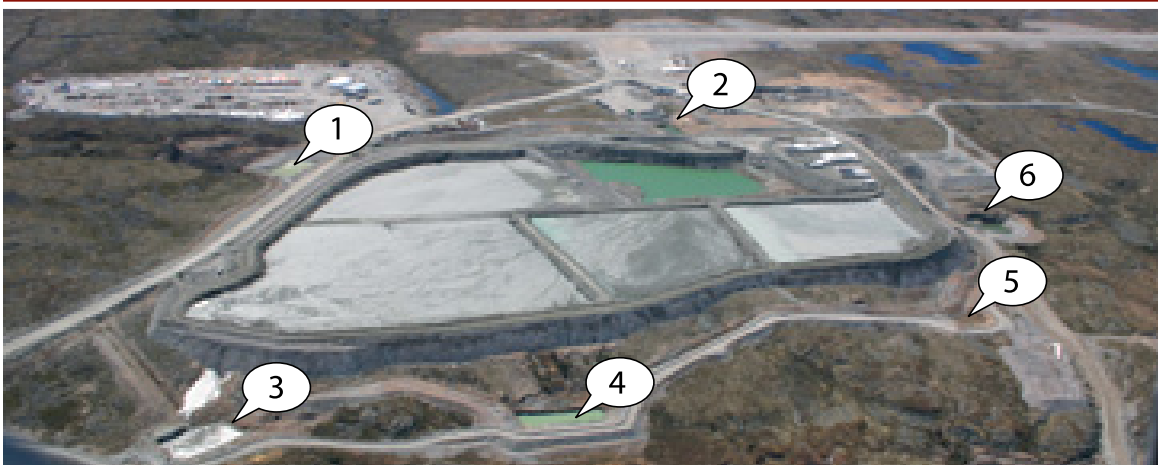


Coarse processed kimberlite

WASTE DEPOSITED IN NORTH PILE ^A

Coarse Processed Kimberlite	715,595 tonnes
Fine Processed Kimberlite	603,359 tonnes
Mine Rock	206,688 m ³
Sewage Biosolids, Rubber and Wire ^B	45 tonnes
Construction Waste, Plastics, Dirty Steel ^B	376 m ³

A. All figures preliminary from 2010 and should not be considered final
 B. Final 2009 Results



NORTH PILE COLLECTION SUMPS

1 Perimeter Sump	1	4 Temporary Sump	2*
2 Perimeter Sump	2	5 Temporary Sump	3*
3 Temporary Sump	1*	6 Temporary Sump	4*

* Temporary Sumps will be removed once the East Cell goes into use.

PROGRESSIVE RECLAMATION

As part of our commitment to minimize impact of the Snap Lake Mine on the environment, progressive reclamation is planned for the North Pile. Each cell will be capped once it is full and the next cell is in use. A two-year engineering study to determine the best material and design to cap the Starter Cell will begin in 2011. Once this cap is in place, it will be monitored to determine if any improvements are necessary and those improvements will be included in the design for the East Cell cap.

Monitoring fish health through science and traditional knowledge

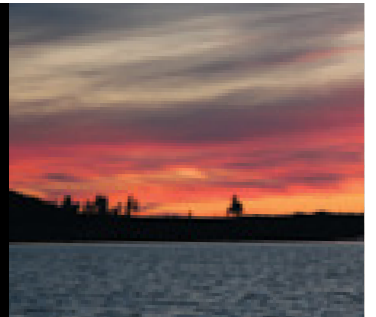


Photo above: De Beers staff and Elders participating in Annual Fish Tasting

The Aquatic Effects Monitoring Program (AEMP) for the Snap Lake Mine is managed by our environment department. The AEMP is carried out by Golder Associates Ltd., an independent environmental contractor.

The core of the AEMP is monitoring of water quality, plankton, (microscopic plants that the bugs in the water eat), sediment quality, benthic invertebrates, (bugs that the fish eat) as well as fish health. All monitoring components, with the exception of fish

health, are undertaken annually. Fish health monitoring occurs on a five-year cycle.

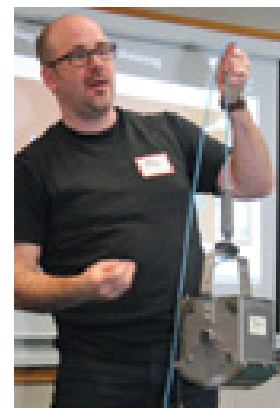
The primary study area for monitoring in 2010 was Snap Lake. In 2006, the MVLWB approved Northeast Lake as the reference lake for the AEMP. A reference lake is another

FACT FILE

WHAT WE TEST FOR*

- ammonia
- nitrate
- aluminums
- arsenic
- cadmium
- chromium
- copper
- nickel
- lead
- zinc
- oil and grease
- faecal coliforms
- Total Dissolved Solids (TDS)

* Complete list available in Snap Lake Water License No. MV2001L2-0002



SAMPLING TOOLS

Michael Robinson, a fish biologist with Golder Associates Ltd., explains in a community workshop how sediment is sampled from the bottom of Snap Lake.

water body close by that is similar, and that is not impacted by the mine. Monitoring and testing for results in a reference lake enable monitoring for change that may be as a result of normal variations and allows comparison to Snap Lake results. Monitoring in Northeast Lake has been integrated into the Snap Lake AEMP.

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Name (optional):

Full address (optional):

Community
(To ensure delivery, community of origin must be given):



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YELLOWKNIFE NT X1A 9Z9

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Every year since 2005, the traditional knowledge of fish health has been incorporated through a fish tasting program. Elders from four communities visit Snap Lake to taste trout caught in Snap Lake. Elders

harvest and fillet the fish. All participants inspect what's caught and comment on how the fish look, inside and out, and, of course, how they taste.

In 2010, we hosted representatives from communities close to the mine and regulators in a workshop to review and discuss five years of results of our AEMP.

HAVE YOUR SAY...

Over the past several months, we have reached out to communities close to the Snap Lake Mine to explain how we use water and protect the environment at the Snap Lake Mine.

This has included hosting community delegations at the Snap Lake Mine, and hosting workshops in various communities with leaders, elders and residents to explain how we use and manage water at the mine. In April and May, De Beers will host regulators and environmental staff

from Aboriginal groups for two technical workshops to provide further opportunities for input into our Water License application.

As we prepare our Water License application, we look forward to hearing from members of the public. We want to know what values are important to you in terms of protecting the water and fish in and around the Snap Lake Mine.

All reports on water quality at the Snap Lake Mine are available on the Mackenzie Valley Land & Water Board website: www.mvlwb.ca. Reports by the Snap Lake

Mine Environmental Monitoring Agency can be found on its website: www.slema.ca

If you would like more information, would like to provide us comments or simply want to talk to us about our Water License, please call 867-766-7300 or our toll free line for NWT residents at 1-888-762-7525, or write or email us at:

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WATER LICENSE QUESTIONNAIRE

1) After reading this newsletter, do you have any general questions about how De Beers Canada manages water at Snap Lake Mine?

2) De Beers is going to ask for a 15 year term for its next water license and has committed to making updates on performance to communities and knowing that monitoring and management changes can be made during the term of the license. What do you think? (check one)

- 15 years is okay under these conditions
- 10 years Why? _____
- 5 years Why? _____

3) How far downstream from Snap Lake do you think testing should be conducted?

4) Is there anything additional that you believe De Beers should be monitoring as part of its water quality program at Snap Lake Mine?

5) Comments _____

Please return by May 13, 2011. If you prefer, you can fill out this questionnaire on line at: www.debeerscanada.com