



December 11, 2008

R. Peter Gillin
Chief Restructuring Officer
Tahera Diamond Corporation
Suite 803, 121 Richmond Street West
Toronto, Ontario
M5H 2K1

Your file - Votre référence

Our file - Notre référence

Dear Mr. Gillin:

I am writing to explain the Inspector's Direction that you will receive with this letter. The Inspector's Direction is issued under section 87 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The Inspector's Direction describes the actions that your company must take to address existing issues at the Jericho Diamond Mine site and to prevent further adverse effects on persons, property or the environment. The required completion dates for this work are also provided.

Recent communications from employees of Tahera Diamond Corporation and from Pricewaterhouse Coopers, Inc. have suggested that operations at the Jericho Diamond Mine may cease imminently. You should understand that neither Tahera Diamond Corporation's financial situation, nor any steps taken by Indian and Northern Affairs Canada to respond to a cessation of operations at Jericho, will relieve Tahera or Benachee Resources Inc. from their obligations under the Nunavut Waters and Nunavut Surface Rights Tribunal Act or any water licence.

Please be aware that future inspections of the Jericho Diamond Mine site might reveal additional matters that might be the subject of a direction.

If you require any clarification of the requirements of the Inspector's Direction, please contact Bernie MacIsaac at (867) 975-4290 or Peter Kusugak at (867) 975-4295. We remain committed to working with you to address the operational and environmental issues at the Jericho Mine Site and appreciate your attention to this matter.

Sincerely,

Michael Nadler
Regional Director General
Nunavut Regional Office
P.O. Box 2200
Iqaluit, NU X0A 0H0

Encl.



INSPECTOR'S DIRECTION
Pursuant to Section 87(1) of the
Nunavut Waters and Nunavut
Surface Rights Tribunal Act

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To: Tahera Diamond Corporation and
Benachee Resources, Inc.
Attn: R. Peter Gillin, Chief Restructuring Officer
Suite 803, 121 Richmond Street West
Toronto, Ontario M5H 2K1

And to: Price Waterhouse Coopers, Inc.
in its capacity as Monitor of Tahera Diamond Corporation
And Benachee Resources, Inc.
Royal Trust Tower, Toronto-Dominion Centre
77 King Street West, Suite 3000
Toronto, Ontario M5K 1G8

December 11, 2008

Description of Occurrences

On December 10, 2008 the Nunavut Regional Office the Department of Indian Affairs and Northern Development received a report from Tahera Diamond Corporation, dated December 8, 2008 (the "Tahera Report"), which was submitted in response to a letter of October 21, 2008 from the department regarding observations and concerns arising from an August 2008 inspection of the Jericho Diamond Mine and Tahera Diamond Corporation's 2007 Jericho Diamond Mine Water Licence Annual Report. The Tahera Report discloses past contraventions of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, responds to observations, provides associated clarification, and also enumerates a number of remediative, mitigative, and/or preventative actions that should be taken at the Jericho Diamond Mine.

In the covering letter to the Tahera Report, Tahera Diamond Corporation indicated that staff employed in the care and maintenance of the Jericho Diamond Mine property had been released from employment effective December 15, 2008. Further, information provided by Tahera Diamond Corporation to the Department of Justice on December 10, 2008 has indicated that all Tahera operations at the Jericho Diamond Mine, including care and maintenance, will cease at the time of shift change on December 11, 2008.

The abandonment of the Jericho Diamond Mine in its current state represents non-compliance with Nunavut Water Board Licence #NWB1JER0410 (also referred to as 2AM-JER0410) for the Jericho Diamond Mine, and may pose a significant risk of damage to property and the environment occasioned by unauthorized uses of water, deposits of waste, or failures of works.

Pursuant to section 87(1) of the Nunavut Waters and Nunavut Surface Rights Tribunal Act, Tahera Diamond Corporation is directed to take the following reasonable measures consistent with: compliance with Nunavut Water Board Licence #NWB1JER0410 (also referred to as 2AM-JER0410); safety; and the prevention of possible adverse environmental affects which could be reasonably expected from the above mentioned occurrences.

Remediation of Observed Environmental Concerns

Should Tahera Diamond Corporation determine not to abandon the Jericho Diamond Mine, the following measures must be undertaken during the ongoing period of care and maintenance at the mine site.

1. By December 19, 2008, Tahera Diamond Corporation shall retain the services of a Professional Engineer licensed to practise in Nunavut, with expertise in mine site or similar remediation technology procedures the ("Engineer"). Notification of retainer shall be provided to the Inspector forthwith. The Engineer must assess the extent of fuel-related spill contamination described in the December 8, 2008 report by Tahera as well as chemical, waste storage and any other on site potential contaminants that have impacted or have the potential to impact the persons, property or the environment at the Jericho Diamond Mine, and surrounding lands and waters. The Engineer must provide the Inspector with assessment reports forthwith on completion.
2. Under Nunavut Water Board Licence #NWB1JER0410 (also referred to as 2AM-JER0410) soil contaminated with hydrocarbons must be removed from site or placed into an approved land farm. Tahera Diamond Corporation has not yet submitted a plan for an approved land farm and is storing soil contaminated with hydrocarbons in the Processed Kimberlite Containment Area (PKCA). All deposition of contaminated soil into the PKCA should cease immediately.
3. By July 31, 2009 the Engineer shall submit a comprehensive site assessment report which identifies and delineates all areas of petroleum hydrocarbon, waste chemical, or any other contamination at the Jericho mine site that has impacted or has the potential to impact the environment both on and off site. The assessment must include remediation procedures and activities that will be undertaken to cleanup impacted areas identified, measures that will be implemented to prevent reoccurrences and a firm timetable as to when the remediation activity will be completed.
4. By July 31, 2009, a Total Extractable Hydrocarbon test is to be completed on soil samples collected from areas adjacent to all secondary fuel containment berms to confirm that contaminants are not migrating through berm liners. Notification of the results is to be provided to the Inspector forthwith.

5. By July 31, 2009 characterize the contamination of soil stored in the Waste Transfer Area and notify the Inspector of the results forthwith.
6. By August 30, 2009, deposit all hydrocarbon contaminated soil into a land farm facility approved by the Nunavut Water Board, except for contaminated gravel found in the fuel containment berms. By the same date, remove from the Jericho Diamond Mine site all soil contaminated with chemicals that cannot be treated by land farm so that they may be appropriately remediated. Notification of completion shall be provided to the Inspector forthwith.
7. The double-walled fuel tank which supplies the Truck Shop and is its primary source of fuel is located on a concrete pad that is sinking on the South side. It appears that the pad has settled by some 30 centimetres. The fuel lines to this tank must be replaced immediately with flexible fuel lines of sufficient length to accommodate additional settling and the concrete pad should be checked monthly for further subsidence until repairs have been completed to the concrete pad. The concrete pad must be repaired by not later than July 31, 2009. Notification of monthly monitoring results and of repair shall be provided to the Inspector forthwith.
8. By December 31, 2008, install a leak detection system in drip pans at valves and connectors and in sumps which will trigger an auditory and visual alarm upon detection. Notification of installation shall be provided to the Inspector forthwith.
9. By December 31, 2008 prepare inspection schedule and inspection checklist for fuel storage and transfer designed to detect spills and avoid human error in fuel management. Notification of completion and copies of documents shall be provided to the Inspector forthwith.
10. By February 28, 2009, clean-up all hydrocarbon and chemical contamination of the sprung floor in the Jericho Diamond Mine warehouse. Establish measures to avoid future contamination of the floor. Notification of clean-up and new measures shall be provided to the Inspector forthwith.
11. Cease all transfer water contaminated with hydrocarbons directly into the PKCA without prior treatment. By March 31, 2009 establish a system to remove hydrocarbons from water to be transferred to the PKCA. Notification of these steps shall be provided to the Inspector forthwith.

Steps to be Taken to Facilitate an Orderly Transition to Mine Closure

Should Tahera Diamond Corporation determine to abandon the Jericho Diamond Mine, the following measures must be undertaken immediately and in advance of abandonment and notification of the completion of each item shall be provided to the Inspector forthwith upon completion.


1. Prevent and avoid fuel spills due to human error or equipment failure. Unused fuel tanks should be immediately locked-off with locks, cable ties, or chains. Close all fuel

valves. Inspect all non-empty fuel tanks for leakage. Drain all fuel supply lines and place fuel back into the supply tanks. Fuel transfer training must be provided immediately to all staff remaining at the Jericho Diamond Mine and to any new staff coming on site.

2. Attempted theft of unprotected fuel caches and reservoirs has occurred historically in Nunavut with significant spills occurring as a consequence. For this reason, and assuming abandonment of the Jericho Diamond Mine, all fuel at the mine site should be removed from the mine site. If the fuel cannot be removed, guards must be assigned to the mine site to help avoid spills that may occur due to attempted theft.
3. All berms for secondary containment of fuel must be cleared not less frequently than once every two weeks.
4. An instaberm or alternative secondary containment to handle spills must be installed for the Truck Shop fuel tank and the Emulsion Plant fuel tank.
5. Inspect all primary fuel containers for leaks and ensure that all primary fuel containers are contained in a secondary berm designed to hold 110 percent of the capacity of the largest primary container. Repair all leaks. Notification of any leaks and associated repairs shall be provided to the Inspector.
6. Install a leak detection system for in drip pans at valves and connectors and in sumps which will trigger an auditory and visual alarm with detection. A remote alarm system must also be installed that will allow for remote monitoring of fuel spills should the site be completely abandoned.
7. Identify areas of water build up within a containment area. These are areas that may overflow into uncontained areas or areas that a build up of water or ice will limit the effectiveness of containment systems in the event of a spill. Notify the Inspector forthwith of areas of potential water build up.
8. Shut-down the sewage treatment plant in accordance with the manufacturer's procedures which should include draining all lines and pumps as well as removing any accumulated sludge.
9. Inspect all dykes and berms to ensure that there is no seepage. This must include the East Cell Divider Dike and the West Dike. Report any seepage to the Inspector forthwith.
10. Remove all drinking water-associated sodium hypochlorite (chlorine) from the Jericho Diamond Mine site. Shut-down and drain the potable water system in accordance with manufacturer's procedures.
11. Incinerate all remaining solid waste in accordance with the provisions of Nunavut Water Board Licence #NWB1JER0410.

12. Inspect all chemicals (products) as well as liquid and hazardous waste storage areas to ensure they are stored within secondary containment and are not leaking.
13. Shut-down and store all equipment and vehicles according to manufacturers' procedures, including but not limited to the following items.
 - a) Shut-down boilers and drain glycol from all lines.
 - b) Park mobile equipment and light duty vehicles indoors and perform general service as per manufacturer's specifications for storage in excess of three months.
 - c) Isolate all fuel lines and, where possible, lock-out valves.
 - d) Drain all residual fuel from fuel lines.
 - e) Shut-down all information and communication technology equipment and protect this equipment from cold to the extent possible by sealing in plastic and/or wrapping in insulation. Cover essential computer and information and communication technology equipment.
 - f) Download and protect all computer data related to day-to-day operations and closure process.
 - g) Shut-down generators and service generators for long-term storage in accordance with manufacturer's specifications.
 - h) Perform and record last day fuel dips of all fuel storage tanks.

Name of the Inspector Designated under Section 37 of the Nunavut Waters and Nunavut Surface Rights Tribunal Act: Peter Kusugak
Nunavut Regional Office
Department of Indian Affairs and Northern Development
P.O. Box 2200
Iqaluit, Nunavut X0A 0H0


Signature of the Inspector

You should be aware that failure to comply fully or in part with an Inspector's Direction constitutes an offence under subsection 90 (1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. Further pursuant to subsection 90 (4) of the Nunavut Waters and Nunavut Surface Rights Tribunal Act, each day on which the Inspector's Direction is not complied with shall be considered a separate offence. Material regarding the Act has been enclosed for your reference.