December 9, 2005

Ms. Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
Box 119,
Gjoa Haven, NU. X0B 1J0

RE: Responses to letter, dated Oct. 14/05 from the Government of Nunavut Department of Environment (GNDOE) to the NWB in relation to the Waste Rock Management Plan

Dear Ms. Beaulieu,

Tahera Diamond Corporation would like to take this opportunity to respond to the questions raised by GNDOE in their letter dated October 14th, 2005 after their review of the submitted Waste Rock Management Plan-Part 1.

Nunavut Environment Comments.

It is noted in section 3.3.2 that seepage from the 'development waste pile' contained concentrations of copper and uranium in exceedance of CCME guidelines. In is also stated that rock likely to produce these elevated levels will be placed in a designated area at the centre of the dumps to promote freezing. DoE recognize that thermistors will be installed in both rock dumps to monitor freezing; however, DOE is concerned about the long-term impacts climate change may have on the encapsulation of this material and therefore the seepage emanating from it. A detailed assessment of the possible impact of climate change on these dumps needs to be a consideration of the Abandonment and Restoration Plan for the site.

Response.

Tahera would like to clarify that while the concentrations of copper and uranium were in exceedance of CCME guidelines for receiving water quality, water quality impact assessments completed as part of the water licence application (SRK Technical Memo N, August, 2004) indicated that even without freezing, impacts to the receiving water would be within acceptable levels.

The geochemical monitoring program has been designed to identify any anomalous material that could potentially result in higher than expected leach rates. However, it is important to note that this type of material was not found in the pre-mine characterization programs and is therefore not expected to be present in the waste rock from this site. The plan to encapsulate this material in the center of the dumps is presented as a contingency in the unlikely event that this type of material is found. If significant quantities of geochemically anomalous material is identified in the routine inspections or laboratory testing data, and encapsulation is required to minimize the

risk of metal leaching, an assessment of the long-term validity of this closure method could be addressed. However, given the low level of risk indicated in the pre-mine studies, Tahera does not feel this is necessary at this time.

Furthermore, the target end land use for the waste rock dumps will be wildlife habitat, an objective that DoE fully supports. However, except for the building of ramps on the slopes of the dumps to facilitate caribou passage, there appears to be no plans to cover the surface of the dumps. The choice of fine, non ARD/metal leaching, cover material seems crucial in establishing vegetation and achieving the end objective. DoE accept that more detail will be included in the final Closure and Reclamation plan for the site, but the sourcing and storage of such material is also a consideration for waste rock management and should be outlined.

Response:
The pre-mine geochemical characterization data indicated that the waste rock had a low potential for ARD/metal leaching. Metal concentrations in the solids were also very low. Therefore, while fine material may improve the moisture retaining characteristics of the dump surface, there is no need to provide a cover to isolate this rock from vegetation or wildlife.

Details of the revegetation strategies with respect to waste rock dumps will be included in the Closure and Reclamation Plan which will be submitted at a later date.

Sincerely,

Cheryl Wray
Environmental Coordinator
Tahera Diamond Corporation
Jericho Project

Greg Missal
Vice President and Government Regulatory Affairs
Tahera Diamond Corporation
Jericho Project