



NIHADI XA

Annual Report 2016

CHAIR'S MESSAGE



As Chair, I'm proud to present our second annual report. It was a year of progress and positive developments. While we strive to achieve more, when I look back and think on where we started, I'm filled with satisfaction and am pleased with the effort of our whole team.

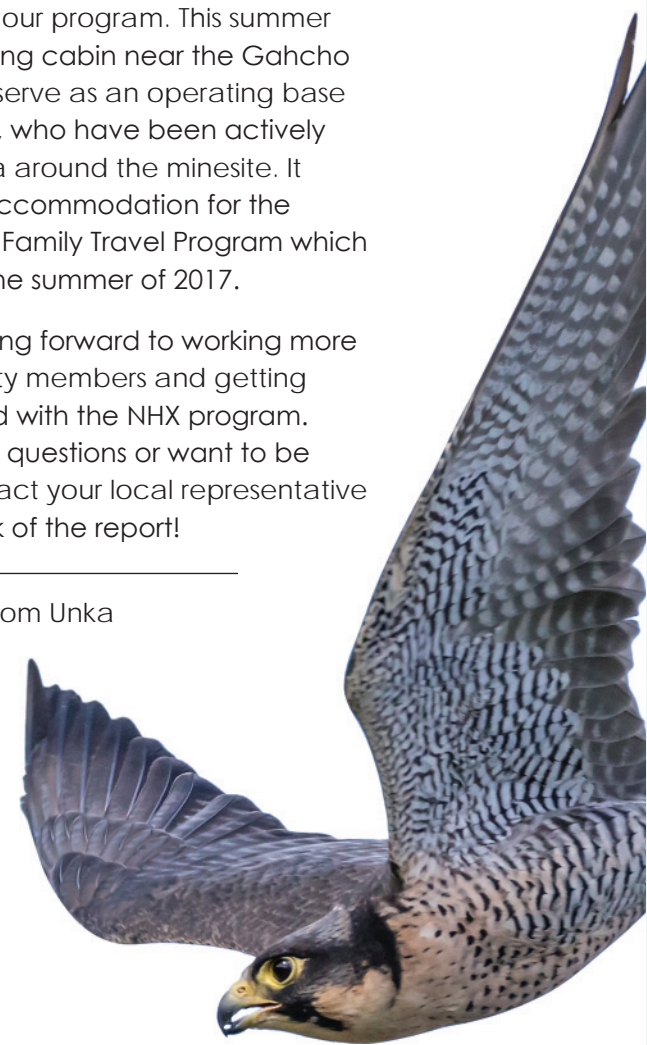
If you're new to Ni Hadi Xa (NHX) - we are the arm's length environmental monitoring group established for the Gahcho Kué Diamond

Mine. Through this annual report we are pleased to share with you our structure, the major work we've completed, and a glimpse of what is to come in 2017. We know that reporting back to our signatory nations is a key part of the work we do.

Working from last year's foundation, we've begun to put in place the critical infrastructure needed to deliver our program. This summer we built a monitoring cabin near the Gahcho Kué mine. This will serve as an operating base for our TK monitors, who have been actively observing the area around the minesite. It will also serve as accommodation for the participants in the Family Travel Program which will be starting in the summer of 2017.

We are really looking forward to working more with the community members and getting more folks involved with the NHX program. So if you have any questions or want to be involved, just contact your local representative found on the back of the report!

Ni Hadi Xa Chair, Tom Unka



OBJECTIVES

Ni Hadi Xa was established by contract between De Beers and five Indigenous parties - Deninu Kué First Nation, Lutsel K'e Dene First Nation, North Slave Métis Alliance, Northwest Territory Métis Nation and Tłı̨chǫ Government - to help guide the environmental monitoring and management programs of the Gahcho Kué Diamond mine, particularly for matters not covered by existing programs and legislation.

This effort should provide ways to avoid or minimize the impacts of Gahcho Kué on the rights of Indigenous Parties; their traditional lands; their relationship to the land, water

and resources; their social, cultural, economic and spiritual values; their way of life; and the environment.

Ni Hadi Xa exists to watch over the Gahcho Kué mine. This is not different than the agencies set up to monitor the other mines in the NWT, but there is a much greater emphasis on traditional knowledge monitoring. Whether we are meeting the goals set out for Ni Hadi Xa is mostly determined by the observations and information collected by our monitors.

- Respect and protect land, water, wildlife, plants and the land-based economy, essential to the way of life and well-being of the Indigenous Parties and present and future generations;
- Ensure ongoing review of Environmental Monitoring and Management Plans, activities, and reports of De Beers and the regulators in relation to the Gahcho Kué Diamond Mine;
- Develop and improve the capacity of the Indigenous Parties to participate in adaptive environmental management;
- Make recommendations to De Beers with respect to these objectives;
- Integrate and promote equal use of traditional knowledge in environmental monitoring and management;
- Communicate to the Parties and the public on activities and achievements of the above objectives.



STRUCTURE

Officially starting in December 2014, Ni Hadi Xa is administered by a Governance Committee, composed of one member from each of the six parties that signed the agreement. The committee makes decisions by motion and seeks to have consensus. Just under 50 motions have been passed to date - only one was not unanimous.

The Governance Committee exercises its will through the Ni Hadi Xa staff, monitoring the impacts of Gahcho Kué in three different

ways. The first is technical - reviewing the environmental monitoring and management plans; the second is monitoring - our staff are on site, working with the De Beers environment staff to observe the actions that are occurring as part of the mining effort; while the third way is traditional knowledge monitoring - where our staff and land users are on the land, observing the land, water, and animals in the region around the mine.

ON-SITE MONITORING

NHX has a staff member at site 50% of the time. Working with environmental staff at the project, their role is to observe what happens at the site, reporting on their experience as well as any incidents.

TRADITIONAL KNOWLEDGE

NHX employs two part-time monitors and a coordinator, who are responsible for traditional knowledge monitoring. This is done through two methods - their own observations as well as collecting and recording the observations of the people who participate in the Family Travel Program.

TECHNICAL REVIEW

NHX employs a staff member with a long history in regulatory review and technical documents. In addition to their experience, they have dedicated resources to ensure that outside experts can be bought in. For example, as a reaction to tailings dam failures in Alberta and BC during 2015, the Governance Committee retained experts to look at the safety of the dams being built at Gahcho Kué.



GOVERNANCE COMMITTEE REPORT

In 2016, the Governance Committee held three in-person meetings, a multi-day training session, and six conference calls to oversee the work of the Ni Hadi Xa agreement. Our roles and responsibilities are covered in sections 4 and 5 of our agreement. Section 4 covers the structure of our organization while section 5 addresses operations. Broadly speaking we are responsible for the implementation of the agreement and achieving the objectives.

FINANCES

Fiscal responsibility is a priority - the committee is driving for value for our limited resources. In our first years, NHX had a surplus of money, but was yet to develop our key programs, but we were very hesitant to spend our funds. This conservative approach is paying off as we start the Family Travel Program and advance the development of our traditional knowledge program.

ADMINISTRATION

We have experienced the first changes in staffing - reorganizing to better meet the agreement objectives, but also experienced our first staff turnover, advancing the Human Resources development within NHX. This is an area for improvement as there were open positions for long periods, which limits our effectiveness.

OBSERVATION

All monitoring programs are ongoing, entering into phases of continual improvement. The TK monitors were on the land, the environment monitor is at site and the technical coordinator is reviewing the management plans. Furthermore, third-party independent peer reviews were completed to consider engineering and environmental risk.

REPORTING BACK

Our annual report was circulated to all the Indigenous nations and De Beers in August. The Governance Committee members are open and available to their membership and their nation's leadership should there be any questions or concerns.

PROJECT FOCUS - CABIN BUILDING



The major infrastructure project for 2016 was the construction of a cabin in the Family Cultural Region near the mine. Much of the material had been purchased in 2015 for a late fall build, but the weather moved faster than we did.

Over the winter the design changed and the cabin became larger to accommodate expanding requirements. With the help of De Beers, material was marshalled to the minesite over the winter road. While we waited for the spring melt, the final location and design continued to be worked on to address our needs, with additional building materials identified and transported to site.

In early July, LKDFN assembled a crew to build the cabin with the NHX TK monitor, Herman Catholique acting as the crew foreman. The crew consisted of Paul Catholique, David Nataway, Denecho Catholique and Harry Abel. Bernice Marlowe ran the camp side of things. Later in the process, carpenters from the Gahcho Kué mine and Roy Desjarlais flew to site.

The initial flights to the cabin started on July 6th and continued for a couple of days, moving personnel and materials. Once established at site, the crew communicated with Gahcho Kué and helicopter operations began - slinging the material that had travelled up the winter road out to the build site. This continued

over two days - building materials, fuel, and equipment all had to be moved.

The first need was a tent frame to serve as the kitchen and base for the larger construction. Once this was finished, the main cabin was started. Losing some time to weather and crew days, the cabin was completely framed and enclosed by the time the crew left site on July 20th.

Additional construction trips were undertaken in August and September, with the cabin building completely framed and painted prior to freeze up. Much of the interior finishing will be done in 2017 as the Traditional Knowledge monitors complete their work in the area, splitting time between the monitoring duties and advancing the cabin.

As the cabin has been constructed, the management and policies around its use

have been drafted and are awaiting input. As important as the construction of an adequate base of operations is, it means little if appropriate protocols aren't developed to ensure that it's able to support the Family Travel Program participants and the TK monitoring effort.

As 2016 closes, we're ordering the materials to make the cabin more than just a roof and walls to keep the wind and weather away. The little things are the next round of gear to be moved - dishes, foam mattresses and all the other necessities will be in place by the time the Family Travel Program commences. Our expectation is to welcome our first guests in July, host the first on the land Governance Meeting in July and implement the developing TK monitoring program in the fall - this cabin wasn't just built for the TK program, but to welcome many families to the land and to help us monitor the impacts of the mine.





PROJECT FOCUS - INTERIM CLOSURE & RECLAMATION PLANNING PROCESS

TECHNICAL COORDINATOR REPORT



Over the last year, one of the major regulatory efforts was to develop the first substantial closure plan for the project. During the initial environmental review, the plan had been conceptual - and while well-developed for a conceptual plan in the NWT, it left much of the details to be established in the regulatory processes that followed licensing.

As the major environmental review for the year, the Governance Committee and the staff needed resources to fully review and understand that new closure plan. The intent of the review was two-fold: to aide De Beers in

the preparation and revision of the document and to lay the foundation for comments from the communities with the regulators.

In February there was a workshop to help familiarize the Governance Committee with the closure planning process, best practices, and the types of issues that may be of concern. The Governance Committee retained a world-leading expert to lead the workshop, which looked at the state of closure planning in the territory. De Beers held a regulatory workshop in March, where the Governance Committee members were invited to participate. After this, the draft Interim Closure and Reclamation Plan was reviewed and wildlife and closure experts provided additional comments.

The project submitted a third version of the plan in July. Once again, the signatories of Ni Hadi Xa reviewed the plan and submitted comments to the regulators, seeking changes in the approach used and improvements to the closure plan. Recently, the Board agreed with the reviewers and the ICRP will be entering a new phase in 2017 to better define how the mine will be closed.

The technical coordinator position provides both general technical review and administrative support for the Governance Committee. The majority of the technical coordinator's time is allocated to financial administration, supporting the governance committee and contract execution.

- Aspects of financial administration include expenditure tracking, year-to-date budget balancing and financial projections. Towards the end of the year, improvements were made to the approach being used to approve and manage NHX's financial resources.
- Governance Committee support included direct meeting support, providing background material for the decision making, recording the deliberations, follow-through on action items and implementing the motions passed by the governance committee. The Governance Committee convened slightly less often in 2016 than it did last year (9 times versus 11 in 2015), but provided over 90 actions and motions.
- Staffing and contracting is a major focus arising out of the governance decision making. Over the year, the TC reviewed over a hundred resumes, held eight interviews and hired two staff. During 2016, a variety of contracts, large and small were completed, including three environmental reviews, promotional and awareness efforts, program development and developing the website.
- Nine specific technical reviews were completed, with results provided back to the Governance Committee for the community's use. Topics ranged from relatively straightforward matters like GIS guidelines, to major initiatives that involved outside expertise such as the review of the closure plan.
- Reporting is also a key aspect of the position. During 2016, the technical coordinator met with elected leaders or the environmental administrators of four of the Indigenous signatories of NHX. In addition, the annual report was provided to each Chief or President and the technical coordinator made themselves available if any of the signatory parties desired it.

TRADITIONAL KNOWLEDGE MONITORING REPORT

ENVIRONMENT MONITOR'S REPORT



MONITORING OBSERVATIONS

Traveling primarily at night, an approach that has been passed down from other traditional knowledge holders, it allows the monitors to see the landscape and the traditional trail and portage markers. Travel was difficult in 2016, with deadfall trees, overflow waters, deep snow, cold temperatures and bad weather conditions.

The start of the Ni Hadi Xa winter project began with reviewing the routes that would be taken to travel to and from camping points selected for the winter season. There were a total of eight Ni Hadi Xa field trips from January to late April.

Travel Routes included trails that originated in Lutsel K'e travelling to Tacheé (Reliance) and up the Désdélgaí (Hoarfrost River). From there, the primary trail moved towards Tlakele (Indian Mountain) and Cook Lake, where the monitors would often overnight. From there the second half of the trip would start with the monitors passing through K'ezus Tué (Cook Lake), Húhás Da Tué (Goodspeed Lake), K'enuᓇ Tué (Bedford Lake), Tacheé Tł'áází (McLeod Bay) and to Pikes Portage. The last stretch of the trip would include ʔedacho Tł'áází (Timber Bay), ʔʔedacho Tué (Artillery Lake), Detthi Tué (Walmsley Lake) and on to the developments at Kelvin Camp and Bob Camp before finally reaching Gahcho Kué.



During the down time periods the monitors harvest wood, and are absorbing all that has been observed, from wind direction to sunrise, to the texture of snow and any wildlife sightings. During the winter season and into spring there has been very little sightings of caribou, or any other fur bearing animals. The monitors are particularly concerned for the caribou and their health, and the little amount of sighting there was for this season.

The environment monitor works with the De Beers environmental staff, but is a Ni Hadi Xa employee. During the summer of 2016, our first Environment Monitor, Michelle Burger, left after a year and a half with the organization. Michelle was an excellent monitor and set up the program well at Gahcho Kué. Our new Monitor, Gordon Beaulieu, started his first shift in November, meaning that the position was unfilled for approximately 4 months.

Over the past year, our monitor has participated in a lot of different activities, interacting with almost all De Beers departments, various consulting companies, and industrial or environmental contractors. The focus continually shifts around to many different areas as the seasons change. While the environment monitor is only on site half the time, during that period they are involved in a variety of monitoring efforts on site. Their typical activities are:

WATER QUALITY MONITORING

Where samples are taken from the area around the mine and the receiving environment

WILDLIFE MONITORING

Participating in the surveillance efforts, mammal monitoring, as well as specific bird and fish studies.

SITE INSPECTIONS

Each week, site inspections focus on a different area around the Gahcho Kué mine

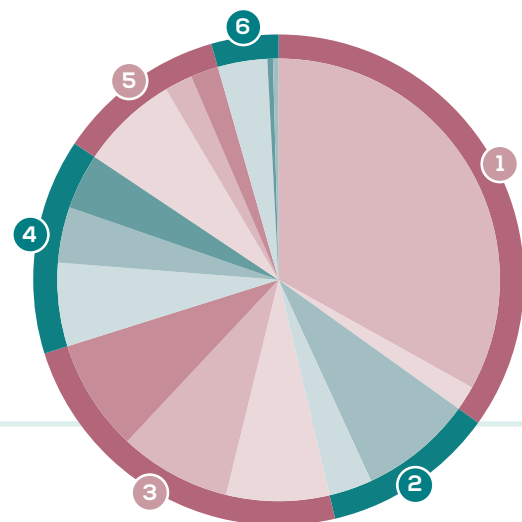
site, looking for anything out of the ordinary. This can include spills, damaged equipment or best practices that are not being followed.

Should there be any type of incident, the environment monitor is free to act on their own - we work with the site staff, not for them.

REPORTING

Perhaps most importantly, the environment monitors main responsibility is to report back to Ni Hadi Xa - as our eyes and ears on site. This is done through a variety of reporting, starting with the shift report which is completed every rotation.

FINANCES



SURPLUS	BUDGET	CARRY FORWARD	
2015	2016	2017	
\$0	\$325,500	\$17,736	1 STAFF
\$0	\$81,125	\$31,155	2 COMMUNITY SUPPORT
\$73,964	\$80,300	\$80,300	3 FAMILY CULTURAL REGION
\$60,000	\$40,000	\$40,000	4 EXPERT REVIEW
\$70,113	\$20,000	\$20,000	5 IMPLEMENTATION
\$35,554	\$4,000	\$4,000	6 OTHER

The start date and the nature of the Ni Hadi Xa agreement has meant that we have had an abundance of money in the early years, to pay for program development. Due to the deliberate approach being used by the Governance Committee, we have had significant roll-overs each year, despite increasing spending as the field programs begin.

The operating surplus of Ni Hadi Xa was reduced to \$193,000 in 2016 (from a high of \$240k in 2015), a trend that will continue in 2017 as the Family Travel Program and TK Framework are implemented and use up the agreement funds that have been budgeted for these programs.

Much of the internal reallocations were undertaken to support the development and construction of the cabin in the Family Cultural Region near Gahcho Kué. This infrastructure was identified as a critical priority and additional resources were consistently found to aide its construction and development.

We remain conservative with our expenditures - attempting to ensure that projects are planned out before approval. Not only is this sound management, but as our startup dollars are spent, the opportunity for Ni Hadi Xa to acquire the tools and infrastructure that we will need to complete our mandate goes with them. Future budgets will be much more austere and we expect the operating surplus to decrease to almost nothing in 2018 or 2019.

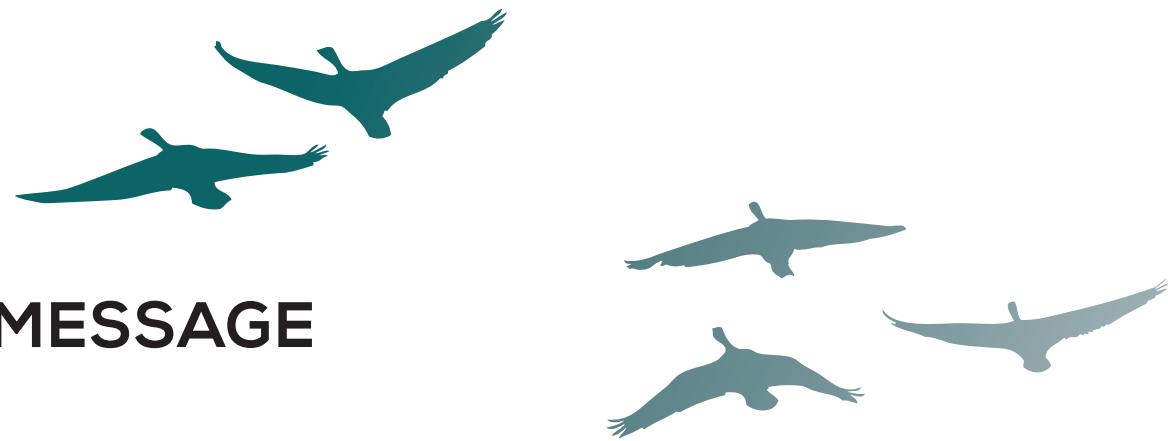
2017 WORKPLAN - CHALLENGES

In the near term, the traditional knowledge monitors will be on the land this winter, monitoring and working to improve the cabin. Other staff will be completing the Cabin Management Plan and our policy framework.

The focus will continue to be improving operations within the confines of the unconventional NHX structure, implementing the Family Travel Program and finishing the development of the Traditional Knowledge Program.

The Family Travel Program is one of the keystones of Ni Hadi Xa. The initial design is complete, but details around the particulars of working with five communities, each with their own expectations, need to be fully resolved as we approach the summer. The program challenges are complicated by the need to integrate within the Traditional Knowledge Monitoring program, which is in the early stages of development. Rollout of the program in 2017 is one of our top priorities.

The Traditional Knowledge Monitoring Program has only just begun. It will take some time to fully develop. The program involves both the Traditional Knowledge Monitors and the Family Travel Program participants and will require a great deal of further work for initial implementation starting in summer 2017 and a full program in 2018.



CLOSING MESSAGE

Ni Hadi Xa really started in 2015, with most of the year dedicated to bringing on staff and program planning. 2016 was where we began to see that planning being implemented - with the three streams of monitoring active: 1) our environment monitor was on site, reporting back; 2) our technical coordinator was reviewing the monitoring and management plans; and 3) the traditional knowledge monitors began travelling to the Family Cultural Region and considering the impacts of the minesite on the surrounding area.

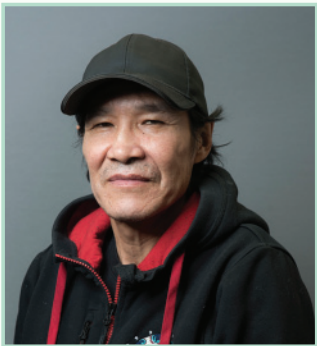
As 2016 continued, different arms of the agreement achieved their objectives through infrastructure construction and major plan reviews. These monitoring efforts will continue to improve as we find better methods to deliver the products that we create, make them more accessible and reduce the administrative work required.

New program development was occurring at the same time - the family travel program was drafted, reviewed and remodeled. The first few families participating in the Family Culture Program will visit the cabin during the summer of 2016. We are hoping a family from each community will join us in the area near Gahcho Kué during the summer. Winter travel will be added in 2018.

It has been a big year and we are proud of the work that we did. Everyone is aware of how far we still have to go to achieve our goals - both with our new programs, but also with our ongoing work. We need to keep getting better. We are always available to community members. If you have suggestions or questions, please do not hesitate to contact your representative on the committee or Ni Hadi Xa staff!



TECHNICAL COORDINATOR	ENVIRONMENT MONITOR	TK MONITOR	TK COORDINATOR
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Name

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Address

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Email

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Phone

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Name one way that Ni Hadi Xa is watching the land.

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Name two parties of the Ni Hadi Xa Agreement

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CUT & MAIL TO WIN!



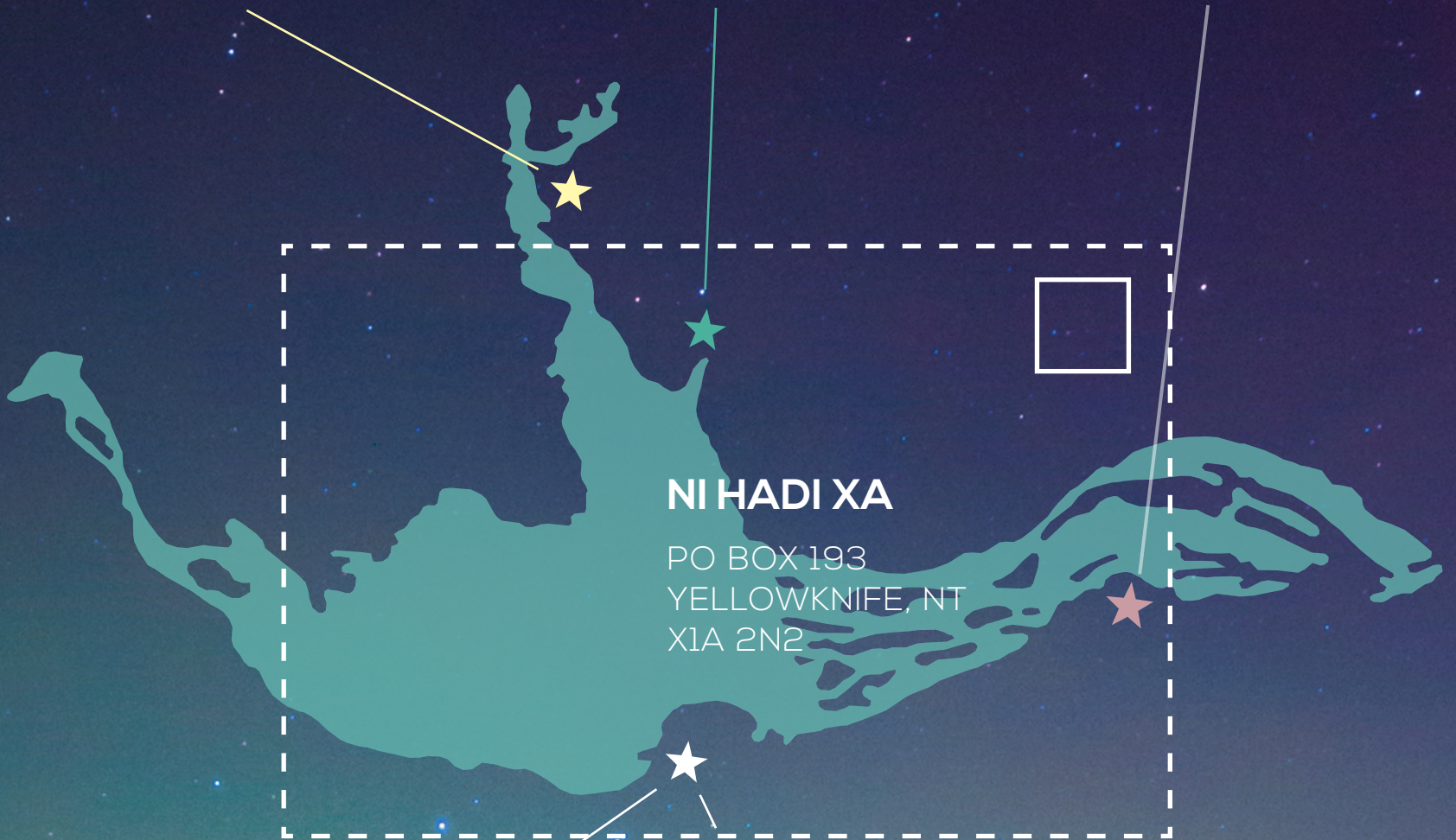
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