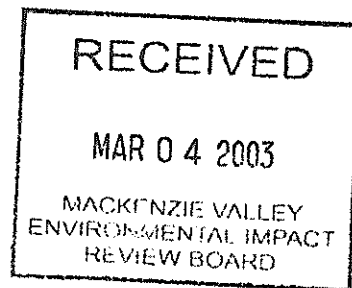


Rec'd via e-mail
Feb 28/03

DE BEERS
A DIAMOND IS FOREVER



28 February 2003

Mackenzie Valley Environmental Impact Review Board (MVEIRB)
Box 938, 5102 – 50th Avenue
Yellowknife, NT X1A 2N7

Attention: Glenda Fratton, Environmental Assessment Coordinator

Dear: Glenda

SUBJECT: De Beers Canada Fund

Please accept the attached technical memo titled "De Beers Canada Fund" for submission to the Public Registry. This memorandum was compiled in response to issues raised by intervenors during the MVEIRB Technical Sessions.

Should you have any questions, please feel free to contact the undersigned.

Sincerely,

SNAP LAKE DIAMOND PROJECT

ORIGINAL SIGNED BY


Robin Johnstone
Senior Environmental Manager

DE BEERS CANADA MINING INC.

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 S N A P L A K E D I A M O N D P R O J E C T <u>D E B E E R S</u>	TECHNICAL MEMORANDUM Date: 28 February 2003
Submitted to: Mackenzie Valley Environmental Impact Review Board	
Submitted by: De Beers Canada Mining Inc.	
Subject: De Beers Canada Fund	

OBJECTIVE

The purpose of this memorandum is to provide the Board with details of the proposed De Beers Canada Fund committed to in the Snap Lake Diamond Project Environmental Assessment.

MODELED ON SUCCESS

De Beers support for educational and community upliftment initiatives in the wider society dates back to the company's earliest days in South Africa. These efforts were formalized in the mid-1970s when De Beers and Anglo American Corporation launched the Chairman's Fund. For the next 25 years, the Chairman's Fund drew on the pooled contributions of South Africa's largest companies to make a significant impact in practically every field of development and community upliftment. Following the wider separation of management and operational ties between Anglo American and De Beers at the end of 1997, De Beers went on to form its own vehicle for social investment, the De Beers Fund in 1998.

Now, with the same energy and enterprise unleashed in all areas of operation under the company's new form and focus, the De Beers Fund directs some R20 million (CAN\$3.7 million) a year towards a diversity of socio-economic and educational initiatives. In addition to these donations made through the Fund, De Beers makes very significant contributions to other major development projects as well as in areas like training and development, small business development amongst disadvantaged communities and support for major regional issues like the AIDS pandemic. It is emphasized that this is partly in response to the pressing needs of southern Africa, where the unemployment rate is in the region of 40%, AIDS is decimating entire communities, and in general the good social services and government supplied support found in Canada, are absent.

OPERATING STRUCTURE

The De Beers Fund in South Africa operates through a centralized committee which is tasked with screening and approving applications for major grants, as well as Local Area Committees, which operate as independent decentralized units associated with the individual mines or centers of company operation. These Local Area Committees allow direct contact and interaction with local communities and other stakeholders, and provide the initial level for screening of grant applications, which in the case of major project requirements are forwarded to the central committee for consideration. Smaller projects with funding requirements below an agreed threshold level are however approved and managed entirely at the Local Area Committee level.

In the case of the future De Beers Fund in Canada, it is envisaged that a similar two-tier structure will be put in place, but that the responsibility for decision making about fund utilization will be handled differently. A small (three person) centralized Fund Committee based in Toronto, will be established and responsible for:

1. Ensuring governance
2. Alignment with overall corporate global social investment policy
3. Allocation of funds between the fund committees in Canada
4. Communication with wider corporate interests

At this stage of company planning, it is envisaged that two local Fund committees will be established, one in the Northwest Territories (representing Snap Lake and any other mining projects which may develop there), and one associated with the Victor Project in northern Ontario. These local committees will consist of a minimum of seven permanent voting members, made up as follows:

1. Two De Beers appointed representatives, one of whom will be Chairman, and who will have the casting vote.
2. One employee representative, elected by employees.
3. Two community representatives, from the main Aboriginal communities affected by the company projects. These representatives will serve a maximum term of office of two years, and the positions will then be rotated between the various Aboriginal communities.
4. Two other representatives, from communities such as Yellowknife, or from local social service organizations. These positions will be identified, and invited to serve, by the five representatives referred to in 1, 2 and 3 above.

The main purposes of this committee will be to screen all grant applications, approve allocation of available funds, ensure funds are correctly distributed and that good governance practices are in place, monitor grant supported projects on an ongoing basis and network with other organizations involved with similar work (e.g. other industry stakeholders, government agencies, communities, NGO's).

FUNDING

Corporate social investment is frequently represented as a percentage of dividends paid. Since the De Beers companies in Canada will not be operating as public companies and paying dividends, the same formula cannot be applied.

De Beers Canada however undertakes to initially fund the Canadian De Beers fund at a minimum level of 1.0% of net annual after tax cash flow for the Canadian operations, this being considered the closest simple equivalent to the dividend calculation.

This is comparable to the benchmarks of the Per Cent Club to which leading companies aspire in the United Kingdom (where comparative data is readily available). However, at the discretion of De Beers management, a significant social investment program will be maintained irrespective of overall cash flow.

FUND GUIDELINES

The following guidelines apply to the De Beers Fund in South Africa, and it is envisaged that similar guidelines will be developed in Canada.

The De Beers Fund considers support for non-profit community development projects working in the educational, community support, primary health care, skills development, environmental conservation and cultural sector aiming to benefit the broader community.

Appeals for funding are considered on a regular basis. The Fund prefers to assist projects that have a broad donor base and incorporate a level of sustainability. It is usually not possible to consider large amounts for capital and operating costs. For major projects where the grant exceeds a defined amount (to be defined when the fund becomes operational) the Fund requires a written proposal to be submitted which should include as much of the following information as is possible:

- ◆ detailed information on when the project was established, its track record and achievements to date;
- ◆ a copy of the project's most recent financial statements, preferably audited;
- ◆ a detailed income and expenditure budget showing annual running costs, capital requirements as well as income likely to be secured during the year;
- ◆ a list showing the names of current and past donors and their levels of support;
- ◆ detailed information on a particular project or component of the budget in most need of funding;

- ◆ an overview of the project's aims and objectives, detailed costings and quotations for specific goods or services required, if applicable;
- ◆ a signed copy of the project's constitution and details of its management committee;
- ◆ letters of support from other organizations and community leaders to which the project and its organizers are known;
- ◆ a list of other donors being approached for assistance, with copies of their responses where possible;
- ◆ any other supporting information, contact names with telephone numbers, photographs and so on, which may help the Fund better understand the work of the project;

Activities that are generally not considered by the De Beers Fund include the following:

- ◆ Individual (personal) bursaries/bursary funds;
- ◆ Religious organizations (other than community social upliftment) including the construction and maintenance of places of worship;
- ◆ Company promotions and membership subscriptions;
- ◆ Political, or quasi-political bodies;
- ◆ Trade unions;
- ◆ Leveraged giving – meeting the costs of collecting donations from others;
- ◆ Commercial ventures (closed corporations and other for profit activities);
- ◆ Loans and Investments;
- ◆ Advertising in educational or other supplements.