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BHP Diamonds Inc.

May 4, 1999

Ms. Heidi Klein, Executive Director  
Mackenzie Valley Environmental Impact Review Board  
5102 – 50<sup>th</sup> Avenue  
P.O. Box 938  
Yellowknife, NT, X1A 2N7

**RE: Project Description: Proposed Development of Sable, Pigeon and Beartooth Kimberlite Pipes**

Dear Ms. Klein:

First, thank you for meeting with us on April 29<sup>th</sup> to discuss the screening of BHP's proposal to develop the Sable, Pigeon and Beartooth kimberlite pipes. I have enclosed with this letter ten (10) copies of the project description and ten (10) colour maps of the proposed extension of the EKATI™ Diamond Mine for your office and the use of Environmental Impact Review Board.

As we explained at our meeting this project is critical to the ongoing operation of the EKATI™ Diamond Mine. In the Project Description (Volume 1, Section 1.4) of our 1995 Environmental Impact Statement, compiled for the original permitting of the EKATI™ Diamond Mine, BHP stated that further exploration could result in the identification of additional resources. At the time the EIS was published, BHP had identified 40 kimberlite pipes on its Lac de Gras claim block, there are now over 100 known kimberlite pipes. BHP believes that some of these kimberlites may ultimately prove economic to mine.

When the EIS was published, BHP projected a 25-year life of mine based on the five pipes listed in our original application – Panda, Koala, Misery, Fox and Leslie. Since that time we have reduced the life of the mine from approximately 25 years to 17 years. This largely resulted from the removal of the Leslie kimberlite pipe from EKATI™'s mineable reserves. On going analysis of this pipe following the EIS, suggests Leslie is only marginally economical given current market conditions. Removing the 40 million tons of Leslie kimberlite ore from the mine reserve led to a reduction in the projected life of mine. This revised 17-year mine life, includes the as yet unpermitted resources of the Sable kimberlite pipe. Addition of the Pigeon and Beartooth kimberlite pipes to the reserves will increase the mine life to 18 years. As you can see, mine life is a very fluid concept, in which the company needs flexibility to make increasingly refined production decisions based on ongoing evaluation of potential resources and world markets for specific types of

diamonds. We remain optimistic that continued exploration will add to our mineable ore reserves and that ultimately the life of the EKATI™ Diamond Mine will exceed the 25 years originally projected in the EIS.

Sable, Pigeon and Beartooth are new reserves but they do not constitute a new undertaking, as they simply enhance the life of the existing EKATI™ Diamond Mine. At existing underground operations in the NWT, new ore reserves require the extension of the underground working, but do not generally require new permits. Any amendments that maybe required to operating permits and licences are normally dealt with as an extension to an existing operation. In the case of the EKATI™ Diamond Mine, an open pit operation, each new kimberlite pipe that is added to the ore reserve will require surface development. This will trigger an environmental screening and, potentially, require additional regulatory permits to allow it to be brought into production. BHP hopes, however, that as environmental knowledge of the BHP claim block around the EKATI™ Diamond Mine grows and mitigation measures for mining kimberlite become more routine, the assessment and regulatory processes will become more streamlined.

The kimberlites discussed in the enclosed Project Description are within the geographic area considered by the 1995 Environmental Impact Statement. Expansion of the EKATI™ Diamond Mine was discussed at the 1996 EARP hearing. Since that time, BHP has engaged in ongoing environmental effects monitoring of the EKATI™ Diamond Mine. The wildlife and archaeological monitoring programmes have included the area where the three pipes in this application are located. In addition to the monitoring programme for the EKATI™ Diamond Mine, BHP has, since 1996, been compiling specific environmental baseline data that would be needed for the screening and permitting of this expansion. Because this application builds on the substantial baseline research done for the original review of the EKATI™ Diamond Mine, BHP hopes that the environmental assessment for the Sable, Pigeon, and Beartooth development can be completed in a reasonable period of time. It would assist the company if the review could be completed by early fall 1999, followed shortly thereafter by regulatory permitting. This would allow the development to proceed in a timely manner and ensure that kimberlite ore is available to continue operating the mine.

The positive effect of the EKATI™ Diamond Mine with regard to employment, on-the-job training and business opportunities is evident in the communities of the north and south Slave Regions of the NWT, and the Kitikmeot Region of Nunavut. Under the terms of the Socio-Economic Agreement with the Government of the Northwest Territories, BHP set employment and business opportunity targets. During the Operations Phase of the EKATI™ Diamond Mine, BHP agreed in the Socio-Economic Agreement to maintain a workforce that was 62 percent Northern of which 31 percent were Aboriginal employees. Of the 479 BHP employees in 1998 - 377 or 80 percent were Northern. Of the Northern component, 188 employees or 50 percent were Aboriginal. This exceeds the target in the Socio-Economic Agreement by 18 percent.

Targets for providing opportunities to northern business have also been consistently exceeded. The total annual value of goods and services purchased by BHP in 1998 was \$357 million of which \$150 million were purchased from businesses in the Northwest Territories. This is 42 percent of the total annual value of goods and services required by BHP. It exceeds the target of 28 percent established in the Socio-Economic Agreement by 14 percent. By surpassing the targets of the Socio-Economic Agreement, BHP continues to demonstrate our commitment to the people and businesses of the North.

As of early 1999, BHP had Impact and Benefit Agreements in place with Dogrib Treaty II, Akaitcho Treaty 8, the Inuit of Kugluktuk and the North Slave Metis Alliance. These agreements were designed to allow benefits associated with employment, training, business opportunities, scholarships and cash payments to flow to the Aboriginal groups despite the lack of settled land claims.

The three new kimberlite pipes BHP proposes to add to the reserves of the EKATI™ Diamond Mines will allow BHP to continue to provide jobs and business opportunities for the people of the Northwest Territories into the future. The ability to access new ore reserves in a timely manner is critical if the EKATI™ Diamond Mine is to continue as a viable business.

The 1995 EARP Guidelines for the Environmental Assessment of the NWT Diamonds Project broke new ground when they required BHP Diamonds Inc. to give full and equal consideration to Traditional Knowledge. Under the EARP guidelines, BHP agreed to a two-phase process for traditional knowledge research. Phase I provided data for the 1995 Environmental Impact Statement. Phase II was intended to give the Aboriginal groups an opportunity to design their own research projects to document baseline traditional knowledge, that would allow them to participate in the development of the Environmental Management of the EKATI™ Diamond Mine.


As of 1999, the Yellowknives Dene are the only group, which has completed a Phase II Study. BHP is currently working with the Yellowknives on implementation issues. BHP continues to support the Kitikmeot Hunters and Trappers NTK Project, which is building a traditional knowledge environmental screening tool for Inuit use of the Kitikmeot/Slave Geological Province. The database will be operational later in 1999. Dogrib Treaty 11 is currently completing a project on the Koala drainage, downstream from the EKATI™ Diamond Mine. A final report is due in mid-1999. The Chipewyan of Lutsel K'e have recently began working with BHP on a computer based traditional knowledge screening tool, using the GIS application developed for the Inuit NTK system. The Metis Heritage Association developed a project in 1996, but it has been on hold since that time due to its transfer to the North Slave Metis Alliance. Pending review of their final research design, BHP has indicated that the company will provide funding to the second phase of the project the North Slave Metis Alliance has recently started with Diavik Diamond Mines.

As part of the Environmental Agreement signed by BHP with the Government of Canada and the Government of the Northwest Territories, Traditional Knowledge is to be built into the Environmental Management for the life of the EKATI™ Diamond Mine. Toward this end BHP, has begin a number of small projects with the Aboriginal groups designed to assist them to better understanding the issues related to the Environmental Management of EKATI™. These initiatives are related to caribou movement through the mine site, heritage resource management on the claim block, and the water quality of the Koala drainage.

BHP feels our commitment to continuous improvement is demonstrated in our on going efforts to minimize environment impacts. This commitment will help reduce the potential for adverse cumulative impacts resulting from the expansion of the EKATI™ Diamond Mine. Our success in meeting the 1998 socio-economic targets in employment and business opportunities illustrates how the EKATI™ Diamond Mine benefits the North. Our continued support of traditional knowledge research will broaden understanding of the Lac de Gras area and lead to traditional knowledge, for the first time in Canada, being integrated into the environmental management of an operating mine.

We look forward to working with the Board to ensure that the EKATI™ Diamond Mine continues to operate with minimal impact to the environment. In this way, we can assure long term, secure jobs to Aboriginal and northern employees, and business opportunities to Aboriginal and northern entrepreneurs.

Yours sincerely,



Scott Williams  
Manager, Environment and Resource Planning

Cc. Jim Excell, Vice-President, Operations, Dogrib Treaty 11, Akaitcho Treaty 8,  
Kitikmeot Inuit Association, North Slave Metis Alliance