

ORIGINAL
99-004**FACSIMILE TRANSMISSION****DIAND**

**David Livingstone, Director
Renewable Resources & Environment
P.O. Box 1500, Yellowknife NT X1A 2R3
Internet: livingstoned@inac.gc.ca**

Tel.: (867) 669-2647**Fax: (867) 669-2707****RECEIVED****SEP 08 1999****MACKENZIE VALLEY
ENVIRONMENTAL IMPACT
REVIEW BOARD**

Date: September 8, 1999

To: Heidi Klein

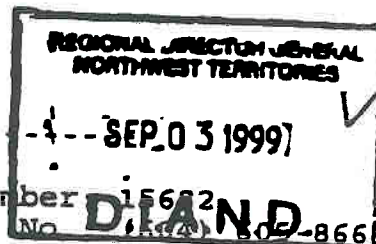
Fax: (867) 920-4761

Pages: 5, including cover page

Comments:

For your info...

Indian and Northern Affairs Canada
Printed On 09/03/99 At 04:28 PM



Correspondent: Rothwell, James R.
Organization: BHP Diamonds Inc.
Department:

Folder Number 15662
Phone No. DIAND 867-8665

Folder Owner (MLO)

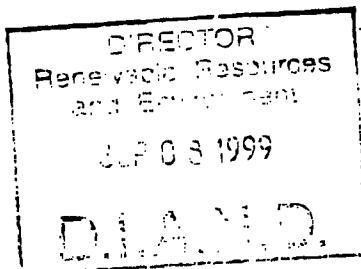
Phone No.:
Extension:

Addressed To: Robert Nault

Date of Document: Aug 31 1999
Date Due: Sep 23 1999

Date Received: Sep 1 1999
Date Closed:

Tracking ID: W9397
Classification: General



Subject:

Subject/Keywords the mining development in the Northwest Territories

Folder Types: Bob Smith

Assigned To	Dates:	Assignments:
	Assigned	Action
	Due	Requested Activity
	Closed	Response Notes
(NT)	Sep 3 1999	Information 1
	Jan 1 2200	For your information only plse note that NAP-NR has the lead on W9397 - thanks

Attachment Description: w9397
Attachment Classification: GENERAL
Attachment Description: W9397 - Acknow-letter
Attachment Classification: GENERAL

Type: WME

Type: M18

Page 1

cc Mary T
Dave H.
Heidi K.
Flora L.
info fax
920-4761

SEP 01 '99 08:11AM BHP DIAMONDS INC 684 682 2567



August 31, 1999

BHP Diamonds
BHP Minerals

The Honorable Robert Nault
Minister of Indian Affairs and Northern Development
10 Wellington Street, Suite 2100
Hull, Quebec K1A 0H4



Dear Minister,

On behalf of BHP Diamonds Inc., I would like to offer my congratulations on your recent appointment as Minister of the Department of Indian Affairs and Northern Development. Your experience as M.P. for a large and remote riding is sure to serve you well in your new portfolio.

BHP Diamonds Inc. operates the EKATI™ Diamond Mine, Canada's first diamond mine, located about 300 km northeast of Yellowknife. As you may know, the mine was subjected to a very extensive environmental review process which lasted over two and a half years. Construction of the mine, which opened last October, far surpassed any previous records for workplace safety in the NWT, and has presented no significant environmental impacts. Ekati is now the largest private sector employer of northern residents and aboriginal people north of 60.

Although your officials will be able to brief you in detail about our operation, I would like to take this opportunity to highlight two key issues we are facing at this time and which fall under your department's responsibilities.

First, there is a high level of interest in the potential benefits from value-added activities, such as sorting and manufacturing of rough diamonds. The Government of the Northwest Territories (GNWT) has taken a very strong and at times threatening position on this matter. As a result your department, in consultation with the GNWT, is conducting a further review of possible approaches, which may include regulation, to ensure a supply of rough diamonds to northern manufacturers.

W 7397

BHP Diamonds Inc. 2550 Park Place 688 Burnaby, British Columbia V5C 2G8 Canada V5C 2G8

Tel: (604) 633-3000 Fax: (604) 633-1775

BHP Diamonds Inc. is a subsidiary of BHP Minerals, which is a business group of The Broken Hill Promoting Company Limited

SEP 01 '99 08:12PM BHP DIAMOND C 684 412 2667

2

In our view, there is no need for government intervention to create value-added activities in the NWT. We have demonstrated that an approach based on cooperation and voluntary commitments is working. BHP Diamonds Inc. is proceeding in accordance with our existing understanding with the GNWT; we have one sales arrangement with a local manufacturer in place, and will shortly conclude two more. These arrangements are in addition to our construction of a sorting and valuation facility in Yellowknife. Should local manufacturing prove to be commercially sustainable, we are prepared to consider a further increase in this allocation in future years.

BHP Diamonds Inc.'s response has been more than reasonable in supporting local value-added activities, and I believe your officials will support this view. Regulatory impositions to create additional local benefits would be counter-productive.

It should also be noted that the level of benefits provided from our mining operation, with local expenditures exceeding \$100 million per year, and close to 500 direct jobs for northern residents, far exceeds the level of benefits that can be reasonably expected from value-added activities. Instead, greater attention should be devoted to encouraging new mining development.

This brings me to the second key issue I wish to raise with you, which concerns the length, uncertainty and complexity of the regulatory review process for new mining development in the NWT. In our case, applications for the proposed development of additional kimberlite bodies on the claim block were submitted in November 1998. Your department referred the applications to the Mackenzie Valley Environmental Review Board for Environmental Assessment in April 1999. The Review Board is now considering the scope and work plan to be followed for its environmental assessment, and after the assessment is completed we will be able to proceed to final permitting. Optimistically, we will receive final permits by December 2000.

The EKATI™ Diamond Mine was already subjected to the most thorough environmental review process for any new mine yet built in Canada other than for uranium mines. Regulatory agencies have not informed us of any significant environmental impacts from the existing operation, and we are not aware of any significant, new environmental impacts that are presented by development of these new kimberlite resources. Nevertheless we are facing a regulatory process that will take over two years to complete, and at this point we still do not know what the scope of the review will be, including the extent to which it will include matters that were addressed under the previous review.

SEP 01 '99 08:12PM BHP DIAMOND INC 684 082 2667

.3/3

3

Now that the applications have been referred to the Environmental Impact Review Board, the Board must independently conduct the assessment and it would be inappropriate for us to seek your intervention in its deliberations. However, we do have an active exploration program and contemplate making additional applications in the future. We hope not to be subject to yet further multi-year environmental review process for future additions to kimberlite resources. Further, your department will have a key role in making the referral decisions, in providing assistance to Board staff during the review process, and in setting the broad regulatory and policy direction for future resource development. We would therefore encourage you to consider whether the current environmental review and approval process is effective and efficient.

We wish you a successful term in your new portfolio, and I hope that we might have an opportunity to meet in the near future. I would of course be very pleased to host you on a visit to our mine site at your convenience.

Sincerely,

BHP DIAMONDS INC.



James R. Rothwell
President

Ref. J-990811NobLear