

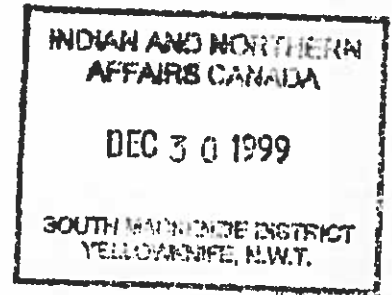


BHP Diamonds Inc.

Our File: 4.6.3.1

23 December 1999

Mr. Darren Unrau
Resource Management Officer
Indian and Northern Affairs
South Mackenzie District
#16 Yellowknife Airport
Yellowknife, NT, X1A 3T2



RE: Land Use N1999C0046: 2000 Large Diameter Drill Program

Dear Mr. Unrau:

BHP is planning to initiate a winter season large diameter drilling program; this year targeting four kimberlite pipes. The drill targets include the following:

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- Wolverine, located beneath two small ponds situated 500 metres southeast and upstream of Grizzly Lake; *winter access*
- Cougar, a land based target located three kilometres west of Sable Lake;
- Zach, located beneath a small pond 500 metres south of Paul Lake; and, *1.7. #
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- Lynx, located beneath Lynx Lake, 2 kilometres southwest of Misery and 0.5 kilometres north of Lac de Gras. *6.7. #
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This work is being undertaken in accordance with our land use permit, with drill locations shown on the attached figure.

Reverse circulation drilling will be used to collect the bulk samples. It is anticipated that the drilling program will commence early in early February with the start date contingent on the opening of the winter road and ice conditions. The drill diameter is 34.9 centimetres in all instances. Three drill holes are planned for Wolverine, one for Zach, and six for Lynx. Each of these drill holes will be advanced from the ice surface, through the lake bed sediments and into different parts of the kimberlite pipe. Each hole will be drilled vertically from a different location on the ice. The maximum water depth over Zach is eight metres and for Lynx, 27 metres. The depth for Wolverine is believed to be less than Zach. Two drill holes are planned for Cougar, which is a land-based target.

The average amount of water used for drilling will be approximately 10 m³ per day and is unlikely to exceed 25 m³. Drill wastes will be trucked to a land based sump for the four drill targets. Any spilled drill waste will be removed from the ice surface shortly after the completion of drilling.

BHP has demonstrated through its follow-up water sampling program on last year's drill targets that fine sediment suspension in lakes can be controlled by using a 51 centimetre casing lowered into the surficial sediments to the point of resistance after which it will be seated. Within the 51 centimetre casing, a 41 centimetre casing will be drilled into the kimberlite using an odex system. This will capture air escaping around the outside of the 41 centimetre casing. During drilling, the easiest route for the air and cuttings is inside of the 41 centimetre casing. Upon completion of each hole, the outer casing will be filled with water and then both the 41 and 51 centimetre casings will be pulled and moved to the next drill location. This combined with the use of the larger outer casing as additional protection has proven effective in limiting lake sediments or drill cuttings from being released to the aquatic environment.

BHP will monitor the drilling program. Firstly, representative water samples from a depth of 5 metres from the lake bottom will be collected in advance of the drilling program and analyzed for inorganic parameters¹ and trace metals². Secondly, samples will be collected every three days during drilling, at a horizontal distance measuring 10 metres away from the drill. These samples will also be collected at a depth of 5m above the lake bottom. Samples collected during drilling will be analyzed for pH, TSS and turbidity. Upon completion of the drilling, water samples will be collected from the original sampling locations, and again analyzed for inorganic parameters and metals.

After completion of drilling, should the water column exhibit elevated levels of suspended solids, samples for TSS will continue to be collected every week as long as the ice allows one to safely do so. Should the higher TSS persist into the open water season, samples will continue to be collected on a weekly basis from the lake. This monitoring will allow BHP to record the changes in the TSS after the cessation of drilling. Based on the results of last year's drilling and using the drilling techniques previously described, elevated TSS levels, however are not anticipated.

The EKATI™ infrastructure will support large diameter drilling activities at Wolverine and Zach. A temporary tent camp will be set up at the old Sable Camp site to support activities at Cougar. The Boxcar Camp will support drilling activities at Lynx. These proposed locations and associated winter roads are shown on the attached figure. The camp location for Boxcar would be placed on an ice pad over tundra. When the program is

¹ Inorganic parameters include major anions and cations, TSS, turbidity, pH, specific conductivity and a dissolved oxygen profile.

² Trace metals include Al, Cd, Cr, Co, Cu, Fe, Pb, Mn, Mo, Ni, Ag, Ti, Zn, As, Se, Sb and Tl.

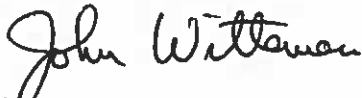
finished Boxcar Camp would be demobilized to a location near Misery pipe to be utilized during the construction phase planned for summer 2000.

The Cougar tent camp will be connected via winter road to the Cougar drill sites. Any grey water will be collected in a sump, and sewage will either be disposed on site at a suitable location or collected in honey bags back-hauled to the main EKATI™ site. Boxcar Camp at Lynx will be set up as in previous years with grey water and sewage undergoing land treatment. Human waste water and sewage will be collected in a natural depression near the camp, away from any water course and allowed to flow onto the tundra where it is naturally treated. Potable water will be supplied utilizing a water truck from a near-by lake. Diesel fuel for the tent camp at Cougar will be supplied using 205 litre drums set up for individual tents and refueled using a mobile truck. Fuel for the Boxcar Camp at Lynx will be contained in a 75,000 litre fuel tank "Green Tank" that is double walled (self-bermed). Drip trays will be placed beneath any exterior valves. There will be no sewage or grey water disposal issues for Wolverine and Zach in consideration of the fact that the main EKATI™ site will be used to house project personnel.

Drill preparation activities will commence in mid-January with ice flooding at Wolverine to accommodate the drill. Reverse circulation drilling is tentatively scheduled to commence on February 8th providing the ice is thick enough and is anticipated to continue for one and one-half weeks on Wolverine Lake. The drilling of the Cougar, Zach, and Lynx targets is expected to take one week, three days, and three weeks, respectively.

We remain available to answer any questions you may have and trust this program meets with your satisfaction.

Yours sincerely,



for Scott Williams
Manager, Environment and Resource Planning

CC. Ron Allen, Fisheries and Oceans
Steve Harbicht, Environment Canada
Red Pederson, Independent Environmental Monitoring Agency
Dave Milburn, Water Resources Division, DIAND
Marie Adams, Environment and Conservation, DIAND
Jon Carlson, Chief Geologist, BHP Diamonds Inc.