

DEC 22 2006

Mr. David Scott  
Manager, Environment and Business Planning  
BHP Billiton Diamonds Inc.  
1102 4920-52 Street  
YELLOWKNIFE NT X1A 3T1

Dear Mr. Scott:

**Environmental Agreement Annual Report 2005**

Thank you for your letter dated December 7, 2006, in which you respond to issues raised by regulators and the Independent Environmental Monitoring Agency (Monitoring Agency) with respect to BHP Billiton's (BHPB) 2005 Annual Report.

The Department of Environment and Natural Resources (ENR) notes your reference to the Annual Report being an overview document intended to summarize activities and monitoring results, and that it is not intended to be a detailed analysis of the year's activities. In addition to providing the results of BHPB's ongoing compliance with the Environmental Agreement and applicable legislation etc, Article 5.1 of the Environmental Agreement clearly states what is to be contained in the Annual Report and what it is to accomplish. The Report is to provide "The Minister, the Government of the Northwest Territories (GNWT), the Monitoring Agency and the Aboriginal Peoples with all supporting information and data from the environmental monitoring programs and all studies and research conducted in accordance with Articles X, XI and XII of (the) Agreement". The Environmental Agreement goes on to confirm that BHPB is expected to consult with representatives of Indian and Northern Affairs Canada, the GNWT and the Monitoring Agency as information and data to be included in the Annual Report is being compiled.

The Environmental Agreement envisions a report that is complete enough so as to provide the reader with a thorough understanding of the year's compliance reports and the results and findings of studies, research and monitoring programs, operational activities and actions taken or planned to address impacts or compliance issues during the reporting year. This could be achieved through production of an overview Annual Report as BHPB suggests, provided that accurate annual reports are also prepared for each monitoring program and these annual monitoring program reports are summarized and referenced in the Annual Report.

Also, for all future management plans and reports submitted, we encourage BHPB to provide clear cross-references where more detailed information is to be found in other reports.

ENR believes that the table provided in your letter of December 7, 2006 addresses the majority of concerns set out by the GNWT in the Ministers Report and for this reason, we are not recommending that the 2005 Annual Report be revised.

However, ENR does continue to have a concern over the level of consultation BHPB conducts as Annual Reports and Environmental Impact Reports (EIR) are prepared. Our interpretation of the Environmental Agreement is that a draft copy of Annual Reports and EIR's will be provided to regulators and the Monitoring Agency for review and comment before the Report is finalized. In this way many of the issues that were raised with respect to BHPB's 2005 Annual Report could have been resolved, thereby avoiding the formal Minister's Report process as enabled by the Agreement.

We are pleased to note BHPB's commitment in your December 7, 2006 letter that monitoring reports will continue to be distributed to your stakeholders and regulators in draft form for review and comment.

We look forward to working with BHPB in the future so that next year's Annual Report and subsequent Environmental Impact Reports can better meet the expectations of all signatories to the Environmental Agreement.

Sincerely,

Original Signed By  
R.P. BAILEY

R. P. Bailey  
Deputy Minister

c: Mr. Robert Overvold, Regional Director General  
Indian and Northern Affairs Canada

Mr. Bill Ross  
Chair  
Independent Environmental Monitoring Agency