

# Financial Statements

## March 31, 2005

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## Management's Report

The management of the Independent Environmental Monitoring Agency is responsible for the integrity of the accompanying financial statements. The financial statements have been prepared by management in accordance with the accounting principles disclosed in the attached notes. The preparation of the financial statements necessarily includes some amounts which are based on the best estimates and judgments of management.

To assist meeting its responsibility, management maintains accounting, budget and other internal controls. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of the financial records is maintained.

The financial statements have been audited by the independent firm of MacKay LLP, Chartered Accountants. Their report to the directors of Independent Environmental Monitoring Agency, stating the scope of their examination and opinion on the financial statements, follows.



Jaida Ohokannoak  
Secretary-Treasurer  
June 5, 2005



March 31, 2005

## Auditors' Report

### To the Directors of Independent Environmental Monitoring Agency

We have audited the statement of financial position of the Independent Environmental Monitoring Agency as at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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Chartered Accountants  
Yellowknife, Northwest Territories  
June 5, 2005



## Statement of Operations and Changes in Net Assets

For the year ended March 31,

	2005	2004
<b>Revenues</b>		
Aquatic effects monitoring program	\$ -	\$ 25,000
BHP Billiton Diamonds Inc.	507,510	518,600
Contributed services	35,413	27,491
DIAND contributions	82,070	28,324
Interest income	1,847	10,519
Administration fee (DIAND contributions)	10,709	-
	<b>637,549</b>	<b>609,934</b>
<b>Expenditures</b>		
Accounting and auditing fees	8,356	7,378
Aquatic effects monitoring program	-	34,387
Amortization	4,086	4,287
Board support		
- honorarium	158,379	157,311
- travel, meals and accommodation	84,188	58,687
Community consultation	63,481	74,151
Consultants	8,379	5,468
Contributed services		
- equipment lease	3,735	3,262
- office lease	27,791	24,229
- other	3,887	-
DIAND contributions	82,070	28,324
Insurance	1,887	3,368
Office supplies	5,906	4,177
Postage and freight	771	976
Printing, design and communication	25,524	43,132
Professional development	7,251	9,911
Recruitment	8,285	-
Telephone and fax	6,181	6,872
Wages and benefits	166,941	155,602
	<b>667,098</b>	<b>621,522</b>
<b>Deficiency of revenue over expenditures, before the following</b>	<b>(29,549)</b>	<b>(11,588)</b>
<b>Loss on disposition of capital assets</b>	<b>-</b>	<b>(4,601)</b>
<b>Deficiency of revenue over expenditures</b>	<b>(29,549)</b>	<b>(16,189)</b>
<b>General operating fund, beginning of year</b>	<b>28,490</b>	<b>42,027</b>
<b>Transfer to investment in capital assets fund</b>	<b>3,016</b>	<b>2,652</b>
<b>General operating fund, end of the year</b>	<b>\$ 1,957</b>	<b>\$ 28,490</b>



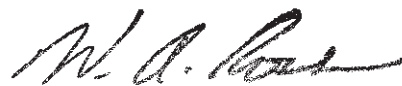
## Statement of Financial Position

As at March 31,

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	2005	2004
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 96,657	\$ 291,088
Contributions receivable	85,039	27,970
Prepaid expenses	4,746	1,200
	<b>186,442</b>	<b>320,258</b>
<b>Capital assets (Note 3)</b>	<b>12,444</b>	<b>15,460</b>
	<b>\$ 198,886</b>	<b>\$ 335,718</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 17,315	\$ 122,922
Contributions repayable	-	1,676
Deferred revenue (Note 4)	167,170	167,170
	<b>184,485</b>	<b>291,768</b>
<b>Net Assets</b>		
Investment in capital assets fund (Note 5)	12,444	15,460
General operating fund	1,957	28,490
	<b>14,401</b>	<b>43,950</b>
	<b>\$ 198,886</b>	<b>\$ 335,718</b>

Approved on behalf of the Board



William A. Ross  
Director



Jaida Ohokannoak  
Director



## Statement of Cash Flows

For the year ended March 31,

	2005	2004
<b>Cash flow sources (uses)</b>		
<b>Operating activities</b>		
Received from customers	\$ 544,120	\$ 204,719
Paid to suppliers	(570,273)	(320,997)
Paid to employees	(166,941)	(155,602)
Interest on long-term debt	(267)	(233)
	<b>(193,361)</b>	<b>(272,113)</b>
<b>Investing activity</b>		
Purchase of capital assets	<b>(1,070)</b>	<b>(6,235)</b>
<b>Change in cash position</b>	<b>(194,431)</b>	<b>(278,348)</b>
<b>Cash position, beginning of the year</b>	<b>291,088</b>	<b>569,436</b>
<b>Cash position, end of the year</b>	<b>\$ 96,657</b>	<b>\$291,088</b>

## Notes to the Financial Statements

March 31, 2005

### 1. Organizational Purpose

The Independent Environmental Monitoring Agency (“the Agency”) is a non-profit organization incorporated under the *Societies Act* of the Northwest Territories. It is exempt from income tax under Section 149(l) of the *Income Tax Act*.

The mission of the Agency is to oversee environmental management of BHP Billiton Diamonds Inc. at the Ekati Mine site in the Northwest Territories.

### 2. Significant Accounting Policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

#### (a) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Agency are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

#### (b) Fund accounting

The general operating fund accounts for current operations, programs and general operations.

The investment in capital assets fund reports the assets, liabilities, revenues and expenses related to capital assets.



## Notes to the Financial Statements (continued)

March 31, 2005

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### (c) Capital assets

Equipment purchases are recorded on the balance sheet at historical cost less accumulated amortization. Amortization is calculated by the declining balance method at the annual rates set out in Note 3. In the year of acquisition, amortization is taken at one-half the annual rates.

### (d) Recognition of revenue

The Agency follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured.

### (e) Deferred revenue

Contributions received in advance are deferred. The amounts will be taken into income as services and goods are acquired.

### (f) Use of estimates

The preparation of this financial information in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

## 3. Capital Assets

			2005	2004
	Rate	Cost	Accumulated Amortization	Net Book Value
Office equipment	20%	\$ 13,992	\$ 7,080	\$ 6,912
Computers	30%	13,940	8,408	5,532
Computer software	100%	1,335	1,335	-
		\$ 29,267	\$ 16,823	<b>\$12,444</b>
				\$ 15,460

## 4. Deferred Revenue

Deferred revenue consists of funds received in advance. These funds are contributed by BHP Billiton Diamonds Inc. for the March 31, 2006 year end. This amount will be taken into revenue in 2006, as services and goods are acquired.

## 5. Investment in Capital Assets Fund

	2005	2004
Balance, beginning of year	\$ 15,460	\$ 18,112
Purchase of capital assets	1,070	6,235
Disposition of capital assets	-	(4,600)
Amortization	(4,086)	(4,287)
Balance, end of year	<b>\$ 12,444</b>	\$ 15,460



## Schedule 1 Statement of DIAND Contributions and Expenditures

For the year ended March 31,

### 6. Economic Dependence

The Agency receives contribution funding from BHP Billiton Diamonds Inc. Management is of the opinion that operations would be significantly affected if the funding was substantially curtailed or ceased.

				2005	2004
	Reclamation Workshop	Environmental Workshop	Travel Reimbursement	Total	Total
<b>Revenue</b>					
Government of Canada - Indian Affairs and Northern Development	\$ 65,975	\$ 27,300	\$ 1,977	\$ 95,252	\$ 30,000
Contributions repayable, end of year	(2,573)	(10,577)	(32)	(13,182)	(1,676)
	<b>63,402</b>	<b>16,723</b>	<b>1,945</b>	<b>82,070</b>	<b>28,324</b>
<b>Expenditures</b>					
Administrative Support	8,270	2,181	258	10,709	3,694
Facilitation	17,022	-	-	17,022	4,170
Community participants					
Honorarium	8,820	6,316		15,136	-
Travel and accommodations	3,700	3,789		7,489	-
IEMA directors					
Honorarium	2,400	-	400	2,800	1,250
Travel and accommodations	6,396	-	1,287	7,683	10,907
Report preparation	-	-	-	-	7,880
Room rental and catering	5,591	1,451	-	7,042	423
Translation	11,203	2,986		14,189	-
	<b>63,402</b>	<b>16,723</b>	<b>1,945</b>	<b>82,070</b>	<b>28,324</b>
<b>Net revenue</b>	\$ -	\$ -	\$ -	\$ -	\$ -

The Agency provided in-kind contributions relating to directors honoraria and travel of \$26,940.23.



# Summary of 2005-7 Work Plan and Core Budget

The Agency's activities continue to increase with modifications and expansions to the project. While the Agency recognizes the desire for transparency and accountability in our budgeting and work planning, there is also a need for flexibility to deal with unforeseen events or changes to the mining operations on site. The second year of the work plan will be refined and modified based on direction received during next year's annual general meeting of Society members.

## Specific Major Activities:

### Board Meetings, Conference Calls

The primary avenue for meeting our mandate is through our board meetings which are held approximately every two months.

**Proposed Activities:** Annually, five board meetings (one in a community) and two conference calls.

### Review of Reports, Plans and Programs

Directors review and make recommendations on the major reports, programs, studies and plans required under the *Environmental Agreement* or other regulatory tools.

**Proposed Activity:** The Agency expects to deal with the following documents in 2005-6; a revised Operating Environmental Management Plan (OEMP), a revised management plan for the Long Lake Containment Facility (LLCF), and changes to the Waste Rock Management Plan. There

may be further work related to changes to mine operations including Misery (care and maintenance), Fox Pit and others into the 2006-7 fiscal year.

### Interventions

The Agency regularly provides technical interventions at public hearings related to Ekati, as part of its mandate.

**Proposed Activity:** For 2005-6, the Agency has budgeted for interventions at two public hearings next year; one related to *reclamation* and closure and one related to major changes in mine operations. For 2006-7, the Agency has planned for one public hearing.

### Communications and Consultation

The Agency continues to enhance its communication activities with the

communities by visiting communities more often, hosting collaborative workshops and consulting regularly on the major environmental reports and programs. During the annual general meeting of November 2004, Aboriginal Society members supported increased community visits for future years.

The IEMA will continue to host environmental workshops in the years where BHPB does not.

The Agency will continue to produce two annual reports, one in plain language and one technical, maintain a public registry and website, and to host our annual general meeting.

**Proposed Activity:** In keeping with advice received from community members to increase our communication efforts,

Activity	Forecasted 2004-2005	Proposed 2005-2006	Proposed 2006-2007
Board Meetings	132,090	161,000	162,500
Review of Documents	71,100	76,400	76,600
Interventions	17,640	22,800	11,500
Communications	123,120	155,560	175,520
Outside Contracts	9,870	10,000	10,000
Mgmt and Admin	212,400	201,100	205,100
<b>TOTAL (approved)</b>	<b>566,220</b> 531,200	626,860	641,220





the Agency will increase its visits to communities, host one board meeting and open house a year in a community, and host the environmental workshop in 2006-7. The Agency will continue to attend workshops and meetings relevant to its mandate. The Agency will continue maintenance of its website and public registry and include an upgrade to the website for 2005-6.

#### **Outside Contracts:**

On occasion, the Agency turns to other experts to help analyze reports, studies and plans.

**Proposed Activity:** For 2005-7 it is difficult to estimate the Agency's requirement for outside contractors, but we expect to retain outside expertise on significant environmental management matters.

#### **Management and Administration:**

The Agency provides the majority of its management and administrative services through its Yellowknife office and staff. BHPB provides office rent and photocopy rental fees as a contributed service outside of the Agency's budget.

**Proposed Activity:** Maintain current staff and benefit levels.

**Note:** Agreement with BHPB on the Agency's proposed 2005-7 core budget and work plan was not reached. At the time of this report, the dispute has not been settled.

## Glossary

### **Ammonia**

The most toxic form of nitrogen, most commonly associated with blasting at Ekati.

### **\*Acid Rock Drainage (Acidic Drainage or ARD)**

Occurs when minerals containing sulphide and sulphur are exposed to the weathering effects of oxygen and water and when the resulting acidity is entrained by water.

### **Benthos**

The bottom of rivers, lakes and ponds that can contain living organisms.

### **CCME**

Canadian Council for Ministers of the Environment.

### **Cladocera**

Very small animal (Zooplankton) which lives in water; also referred to as a water flea.



### **Cumulative Effects**

The environmental changes that occur from a project or activity combined with effects from other human activities.

### **Emissions**

The process of sending out or releasing contaminants into the air.

### **Environmental Agreement**

Created as a legally binding instrument to provide monitoring and input into management practices not covered by other authorizations.

### **Fry**

Early life stage of fish following absorption of yolk sac (alevin) stage.

### **Geochemistry**

The chemistry of the earth and its rocks and minerals.

### **Kimberlite**

A rare, potentially diamond bearing iron and magnesium rich rock from deep in the earth's mantle. Kimberlites are generally found as vertical pipe-like structures.

### **Limnology**

The study of the physical, chemical and biological characteristics of lakes.

### **Mineralogy**

The scientific study of minerals.

### **Nitrate**

A nutrient, like a fertilizer, derived from nitrogen.

### **Phytoplankton / Periphyton**

Microscopic plants, such as algae, found in freshwater and ocean environments.

### **Pit Water**

Water found within the pit containing wastes from mining practices.

### **Processed Kimberlite (tailings)**

The waste material and water mixture that is left over after the mill removes the valuable minerals (i.e. diamonds).

### **Progressive Reclamation**

Reclamation that occurs while the mine is still operating. As mine activities are completed and the infrastructure no longer required, roads are reclaimed, buildings and equipment are removed, areas are revegetated and landfills and dumps are remediated.

### **Reclamation**

The recovery of areas of land and water-bodies that have been disturbed during mining.

### **Sulphide**

A mineral containing iron and sulphur that has the potential to react with water and oxygen to produce acid.

### **Tailings**

The waste material and water mixture that is left over after the mill removes the valuable minerals (i.e. diamonds) from the ore. Also referred to at Ekati as processed kimberlite.

### **Toxicity**

The ability to cause harmful or deadly effects to plants and animals.

### **Zooplankton**

The small, almost microscopic animals that live suspended in freshwater (and ocean) environments. Zooplankton feed on phytoplankton and small particles in the water.

\*From *Guidelines For Metal Leaching and Acid Rock Drainage at Minesites in British Columbia*, William A. Price and John C. Errington, Ministry of Energy and Mines, August 1998



## TECHNICAL ANNUAL REPORT 2004-2005

# Independent Environmental Monitoring Agency

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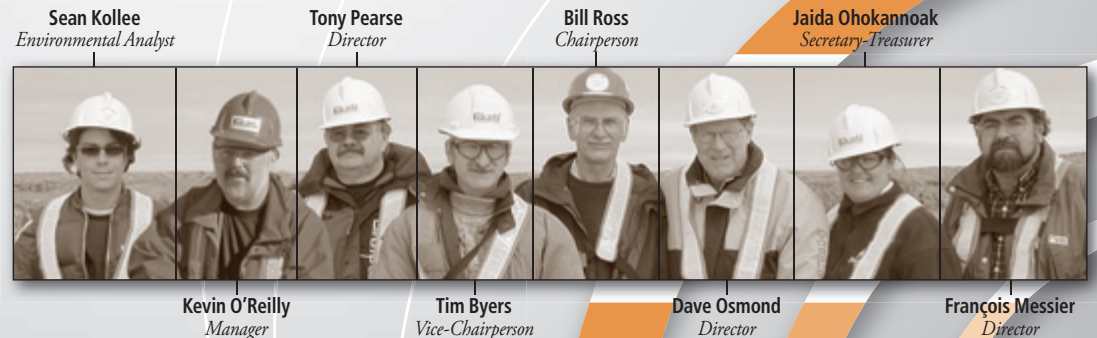
### Office Staff

#### Kevin O'Reilly

Manager

#### Sean Kollee

Environmental Analyst



Not shown: Anne Naeth, Director



A PUBLIC WATCHDOG FOR ENVIRONMENTAL MANAGEMENT AT EKATI DIAMOND MINE™