

BHP Billiton Diamonds Inc.
Operator of the EKATI Diamond Mine

BHP Billiton Diamonds Inc.
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January 16, 2009

Wek'èezhii Land and Water Board
P.O. Box 2130
Yellowknife, NT
X1A 2P6
Attention: Ms. Violet Camsell-Blondin, Chair

Dear Ms. Camsell-Blondin:

**Re. Sable Pigeon and Beartooth Water Licence Renewal/Amalgamation Process -
January 2009 Information Package**

In November 2008, the Wek'èezhii Land and Water Board (the "Board") held a public workshop on the renewal/amalgamation of the Sable, Pigeon and Beartooth ("SPB") Water Licence (MV2001L2-0008). The outcome of the workshop was a request for certain information and commitments from BHP Billiton Diamonds Inc. ("BHP Billiton"). The specific information requests were documented and circulated by Board staff in December 2008. The two commitments from BHP Billiton were to provide: 1) an amended proposal for changes to EQC with supporting rationale, and 2) a proposed draft amalgamated water licence.

This letter provides the requested information in the form of the three attached documents:

1. Response to Information Requests;
2. Report: Review of Effluent Quality Criteria (EQC) for the Sable Site (the "EQC Report"); and
3. Draft Amalgamated Water Licence (blackline and clean copies).

The *Response to Information Requests* addresses each request. Many of the requests relate to proposed changes to the EQC and, in these cases, the response may simply be a reference to the specific section of the EQC Report that contains the requested information.

The *EQC Report* describes the assessment of the SPB Effluent Quality Criteria ("EQC") plus additional parameters identified by Board staff, the results of the assessment and the (amended) proposed changes to the SPB Water Licence. The assessment is based on the premise that EQC should apply to water quality parameters of special or unique risk and that EQC values should be both reasonably achievable and protective of the environment and human health.

A fundamental and unique principle of the assessment of EQC was to make maximum benefit of the 10-years of real-world operating data at the EKATI mine. The availability of these types of data provided for a more realistic prediction of minewater quality at the Sable site. The conclusions of the assessment represent BHP Billiton's amended proposal to EQC in the SPB WL.

The proposed changes to the SPB EQC are fully described in the EQC Report. The changes are: changes to the EQC values for ammonia and zinc, removal of chloride as a future EQC, and development of a site-specific EQC for nickel prior to the release of water from Two Rock Sedimentation Pond.

The *Draft Amalgamated Water Licence* provides BHP Billiton's suggested format and content for the amalgamated water licence. BHP Billiton developed the draft in accordance with the Board's directive that only those changes that are necessary to effect the amalgamation are to be considered. The new changes to the SPB Conditions are those that are necessary to effect the amalgamation and those that represent the amended proposed changes to the EQC.

BHP Billiton believes that public engagement is important and continues to approach this renewal/amalgamation process with this philosophy. The EQC Report itself is an example of this philosophy. BHP Billiton continues to believe that its initial (2000) proposal to apply the EQC from the EKATI Main Water Licence to the Sable site, as was repeated in the SPB Renewal Application (April 2007), is appropriate.

However in respect of the concerns raised by reviewers and First Nations, BHP Billiton has amended its proposal based on an assessment of each individual EQC parameter. The assessment has resulted in BHP Billiton proposing to accept certain of the current EQC because they are reasonably achievable even though BHP Billiton continues to believe that the very low EQC values may not be necessary to protect the environment and human health at the Sable site. The risk of very low EQC values is that they create conditions that make it more difficult to achieve success for the Sable project, which could impact all of the people involved with the EKATI mining operation.

BHP Billiton's long-term philosophy for the EKATI mine is to provide benefit to all parties for as many years as economically feasible, while protecting the land and water for the generations to come. BHP Billiton will continue to engage with all parties to work towards this goal and appreciates the positive working relationship that exists with Board staff.

We hope that you find the information to be clear and helpful. Please contact Eric Denholm, Superintendent - Traditional Knowledge and Permitting, at 669-6116 if you have any questions.

Sincerely,
BHP Billiton Diamonds Inc.

- original signed by Eric Denholm for -

Laura Tyler
Manager – Environment, Community, Communications and Planning
EKATI Diamond Mine