BHP Diamonds Inc.
BHP World Minerals

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1652-6

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board
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Fax (867) 360-6390

Dear Phillipe;

Estimate for Security Deposit for the Boston Gold Project

Section II -B of the General Conditions attached to the Boston Gold Project Nunavut Water Licence (NWB1BOS9801) describes a security deposit based on the full cost of abandonment and reclaimation of the site. At the request of the Nunavut Water Board, BHP has prepared an estimate of the cost of abandonment and restoration for the Boston Gold Site. The accompanying analysis outlines on an asset by asset basis the estimated cost of such activities.

This analysis does not constitute a lessening of BHPs commitment to do everything as stipulated in our licences, permits and leases at the time of abandonment. For the purposes of the Security Deposit estimation this analysis assumes that a third party will conduct the work. BHP has also tried to assume worst case scenario costs. The reality is that when the day comes that Boston is abandoned BHP will do the work itself as part of its permit requirements.

The total direct costs of dismantling, re-contouring and removing the remains of Boston are estimated to be C$1.7 million. Salvage value is not considered, as the Nunavut Water Board would probably not want to accept the risk associated with estimating the future market value of the assets. When BHP one day reclaims Boston, the costs will be partially offset by salvage. This analysis and the resulting estimate, assume that all work can be accomplished without having to reenter the underground.

The Boston site by Aimaoktak (Spyder) Lake is the most developed BHP property in the Hope Bay Gold Belt. It has a 66-man camp with sewage treatment, a sample plant, 2.4km

of underground tunnels, ore storage, core storage, fuel storage, a maintenance shop, offices and a short airstrip.

This analysis assumes that there is no abnormal situation at the time of the decision to abandonment such as surface drill rig demobilization, excess drilling salt or excess fuel. All drill cores will be left in an accessible state on site after abandonment, as is required by Canadian mineral law.

To achieve the reclamation goals outlined in this plan, a D6 dozer must be flown into Boston to assist the forklift on site. Drums and other trash will be back-hauled on the C130 flights required to bring in the dozer / fuel needed for decommisioning.

During the first year the potentially acid generating ore will be re-contoured and covered with waste rock. The portals will be sealed and back-filled with waste rock. Covering the ore stockpiles provides two levels of security against a future acid mine drainage problem on the site. First, the ore pad currently has more then sufficient neutralizing capacity to handle the amount of acid that could be produced if the ore oxidizes. Given the neutralizing capacity of the pad, no acid drainage would occur if the ore were left uncovered on the pad. To provide extra security, however, BHP has proposed in this plan to have the ore capped with 1.5 m of waste rock. This will facilitate the perma-frost coming up and freezing the ore in place thus reducing the possibility of the ore oxidizing.

The settling ponds will be drained and re-contoured as part of the pad. Roads will be scarified, the airstrip however, will be left intact as an emergency strip. Drill hole sites, roads and the pad will be fertilized and re-seeded.

The majority of the camp buildings at Boston will under this plan be dismantled (shop) or burned (offices) and the mechanical equipment; fans, pumps, crushers will be disconnected and readied for removal from the site. The sample plant building will be used for storage of sensitive wastes and equipment over the first winter of decommissioning. Local companies will be invited to bid on the assets; some assets may be donated to local communities. The equipment will be removed the second spring by cat train or Hercules aircraft.

At the end of the first summer the large camp will be separated into 8 individual trailers for removal. The old camp (3 trailers -12 people) will be left intact for use during the spring of the second year. During the second year the sample plant building will be disassembled. In the spring a C130 will be used to remove bulky trash, drums, the sample plant building, the dozer and the loader. A contractor will be bring in a cat train from Cambridge Bay to move the new camp, the majority of the mechanical gear and heavy trash (wire, drill pipe, etc.) and lastly, the old camp to Roberts Bay. Barges will remove the material from Roberts Bay the second fall. A second year of fertilizing and re-vegetation will be done.

Three or 4 insulated tent and a pit toilet will be left on site at the end of the second year. In the last year, final reclaimation and demobilization of the tents and camp equipment will be completed. A Twin Otter using the airstrip will support this activity. The Roberts Bay barge site will be remedied if any damage was done during the loading of barges.

I hope this letter, the attached schedule and projected budget provide the information you requested to complete your calculation of the security deposit for the Boston Gold Site.

It is our understanding that the BHP Boston Project faces being asked to post the largest security deposit ever required of a company operating in Nunavut. While BHP wishes to stress our willingness to cooperate with the NWB, we feel it is imperative that our company be treated the same as other operators and not be assigned a security deposit disproportionately out of line with other projects of this size. BHP also requests that the NWB work with the KIA, which plans to require a security deposit on the up coming Boston land lease, to provide a harmonized approach. Thank you for your consideration of our requests.

Sincerely yours;

Chris Hanks
Acting Environmental Manager

cc. Rich Rein, Mike Hatfield, K.T. Johnson, Scott Williams, Wynet Smith

Att: Hypothetical schedule
Cost estimate

Hypothetical Schedule for Abandonment and Reclamation of the BHP Boston Gold Project

Year 1 Spring	Year 1 Summer	Year 2 Spring	Year 2 Summer	Year 3 Summer
• Fly in dozer/fuel back-haul drums • Remove equipment from U/G • Remove surface fan • Disassemble sample plant	• Plug fan hole • Plug mine entrance • Reclaim surface wiring • Burn offices • Clean up ashes • Disassemble new camp • Clean up spills • Disassemble shop • Cache material for removal • Block up heavy gear for transfer in spring • Re-contour pad/ponds • Re-vegetate site • Dig pit toilets • Clean out sewage plant • Re-vegetate and fertilize site.	• Cat train material to coast • Shutdown old camp and cat train to coast • Switch to tent camp • Disassemble sample plant building and airlift • Airlift equipment/ trash	• Barge out material at coast • Re-vegetate site • Pick up last trash airlift	• Reclaim barge site • Re-vegetate site • Fly out tent camp and last material

Abandonment Cost At Boston

ASSET	ACTION	DIRECT COST	MANDAYS	CAMP COST @$175.00/man	REMOVAL OPTIONS	WEIGHT tonnes	FREIGHT COST
Mine							
Portal	Plug	$10,000	8	$1,400.00			
	Backfill to ground contour	$1,000	1	$175.00			
Exhaust Raise	Remove fan	$1,000	1	$175.00			
	Plug	$10,000	8	$1,400.00			
Underground	Remove fan, pumps, etc	$8,000	14	$2,450.00	Herc	80	$112,000
Recontour Potential	D8 push down piles, cover	$15,000	15	$2,625.00			
Add rock	with development rock						
Sample Plant							
Building	Disassemble	$4,000.00	12	$2,100.00	Herc	10	$14,000.00
	Dig up & burn timber bases	$2,000.00	2	$350.00			
Remove Equipment	Disassemble	$8,000.00	18	$3,150.00	Cat train	100	$70,000.00
	Cache for Backhaul	$8,000.00	6	$1,050.00			
	Electrical disconnects	$2,000.00	4	$700.00	Cat train	10	$7,000.00
Shop							
Spill	Remove soil to landfarm	$8,000.00	6	$1,050.00	Herc to Ekati	40	$56,000.00
Building	Dissmantle and cache	$9,000.00	20	$3,500.00	Cat train	20	$14,000.00
Water line	Dissmantle and cache	$1,000.00	3	$525.00	Cat train	2	$1,400.00
Offices and Buildings							
Procan office	Strip cache & burn	$1,000.00	2	$350.00			
Geo office	Strip cache & burn	$2,000.00	6	$875.00	Herc	5	$7,000.00
Logging prefab	Disassemble & cache	$1,000.00	2	$350.00	Cat train	20	$14,000.00
Splitting tent	Disassemble & cache	$1,000.00	2	$350.00	Herc	3	$4,200.00
Tool shed	Strip cache & burn	$1,500.00	3	$525.00	Herc	5	$7,000.00
Dry	Strip cache & burn	$1,500.00	3	$525.00	Herc	2	$2,800.00
First Aid Room	Strip cache & burn	$1,000.00	2	$350.00	Herc	2	$2,800.00
Condour in old camp	Strip & burn	$1,000.00	2	$350.00			
Tent frames (6)	Strip & burn	$1,000.00	2	$350.00			
Old TV room	Strip cache & burn	$1,000.00	2	$350.00	Cat train (camp)	360	$252,000.00
New Camp (6 units)	Separate & cache	$4,000.00	10	$1,750.00	Herc	18	21,000.00
Old Camp	Strip & burn	$4,000.00	10	$1,750.00	Herc	5	$7,000.00
Services							
Sewage Plant & Pipes	Clean & cache	$3,000.00	8	$1,400.00	Herc	30	$42,000.00
Generators	Disconnect & cache	$2,000.00	6	$1,050.00	Cat train	30	$21,000.00
Electrical Lines	Collect & cache	$8,000.00	20	$3,500.00	Cat train	30	$21,000.00
Bear Fence	Disassemble	$1,000.00	2	$350.00			
Trash							
Metal in Pad	Collect	$1,000.00	4	$700.00	Herc	4	$5,600.00
Ashes from Burning	Collect & bury	$3,000.00	4	$700.00	Herc	100	$140,000.00
General caching trash	Collect	$3,000.00	10	$1,750.00	Herc	40	$56,000.00
Drums	Dig out	$3,000.00	4	$700.00	Herc	80	$112,000.00
Surplus Supplies	Collect	$3,000.00	10	$1,750.00	Herc	40	$56,000.00
Site Abandonment							
Revegetate	Fertilize & seed (3 years)	$45,000.00	150	$26,250.00	Helicopters	200	$160,000.00
Pad	Recontour	$10,000.00	10	$1,750.00			
Ponds	Cap	$1,000.00	1	$175.00			
Roads	Scarify	$1,000.00	1	$175.00			
Mobilize							
D8 dozer	Standby time 2nd yr.	$30,000.00			Herc drums back	20	$28,000.00
Fuel	To run camp & equipment	$38,000.00			Herc drums back	60	$84,000.00
Demob gear							
D8 dozer					Herc	20	$28,000.00
Forklift					Herc	20	$28,000.00
Kubota tractor					Cat train	5	$7,000.00
Incinerator					Cat train	10	$7,000.00
Bulk fuel tank						10	$7,000.00
TOTALS		$248,000	393	$89,375.00			$ 1,364,800.00
TOTAL DIRECT COST	$249,000.00						
TOTAL CAMP COST	$88,775.00						
TOTAL TRANSPORT	$1,364,800.00						
TOTAL PROJECT	$1,702,575.00						