

SCOTIO-ECONOMIC AGREEMENT
LAP DIAMONDS PROJECT

165-061-001
1085-10-99-1996

THIS AGREEMENT is made as of the 22nd day of October, 1996.

BETWEEN:

GOVERNMENT OF THE NORTHWEST TERRITORIES as
Represented by the Minister of Resources, Wildlife and
Economic Development
(hereinafter referred to as "the GNWT")

OF THE FIRST PART

- AND -

BHP DIAMONDS INC., a body corporate, incorporated
pursuant to the laws of Canada and having its place of
business in the City of Yellowknife in the Northwest Territories,
on behalf of itself and its joint venture partner the Blackwater
Group
(hereinafter referred to as "BHP")

OF THE SECOND PART

WHEREAS:

- A. BHP has applied for various regulatory approvals to construct and operate a diamond mine in the Lac de Gras area of the Northwest Territories;
- B. The proposal to operate the diamond mine is fully described in the Environmental Impact Statement prepared by BHP dated July 24, 1995 as well as the Additional Information Request dated December 19, 1995, an Update dated December 15, 1995 and the Environmental Baseline Study, all of which were submitted to the Environmental Assessment Review Panel;
- C. The Environmental Assessment Review Panel completed its review of the Environmental Impact Statement and issued its report in June, 1996;
- D. The Minister of Indian Affairs and Northern Development has accepted the recommendations of the Environmental Assessment Review Panel subject to certain conditions contained in his announcement dated August 8, 1996;

- E. BHP voluntarily initiated negotiations with Aboriginal groups to enter into IBA's with those Aboriginal groups which will be directly affected by the Project;
- F. The Parties have deemed it in their mutual interests to address certain socio-economic matters relating to the Project and to establish a relationship based on confidence, trust and certainty;
- G. During its commercial life, as the Project is undertaken, it is expected to be profitable and it is expected to contribute to the social, economic and cultural well-being of Northern Residents;
- H. It is in the interests of the Parties to jointly provide for a framework to ensure that training, employment and business opportunities are made available to Northern Residents, protect and promote the wellness of any affected peoples or community, and to minimize any adverse social impacts of the Project;
- I. The GNWT and BHP now wish to record their Agreement so that the diamond mine may be constructed and operated in a manner that will be to the mutual advantage of Northern Residents and BHP;
- J. The GNWT and BHP recognize the magnitude of the diamond mine and its impact on the economy of the Northwest Territories. To deal with this impact each party will play a role in developing new business and employment opportunities arising from the diamond mine and both Parties recognize the need to ensure that benefits accrue to Northern Residents and Local Businesses.

NOW THEREFORE in consideration of the terms and mutual covenants hereinafter contained, the Parties agree as follows:

Section 1.0: Interpretation

1.1 Definitions

In this Agreement, including this section, the recitals and schedules hereto, the following terms shall have the meanings set out below, unless the context otherwise requires:

"Aboriginal" means any Indian, Inuit or Metis person who is indigenous to the Northwest Territories.

"Agreement" means this Socio-Economic Agreement and any and all amendments or extensions made in furtherance of the Agreement.

"BHP" means BHP Diamonds Inc., operator of the Project as authorized to enter into this Agreement on behalf of the Joint Venture.

"Claim Block" means the area of land on which the mineral claims have been staked, which consists of 849,867 acres, more or less.

"Construction" means all work undertaken to build a Mine or Mines and to bring a Mine or Mines into commercial production (when diamonds in sizable quantities are recovered and offered for sale on a regular basis), including the construction and installation of all buildings, plant and equipment required for production.

"Construction Phase" means the period of time commencing with the start of Construction and the termination of Construction, whether the said Construction is planned or initiated as of the date of this Agreement or at any later date.

"Contractor" means each and every contractor and sub-contractor used by BHP for the Project.

"Development" means all preparation for the removal and recovery of diamonds from the Claim Block, including without limitation, Construction, commencing from the time BHP decides to proceed to build a Mine or Mines until the commencement of commercial production (when diamonds in sizable quantities are recovered and offered for sale on a regular basis) and includes all exploration work in connection therewith.

"Development Phase" means that period from the time when BHP decides to proceed with the Development until commercial production.

"Dispute" means any disagreement arising between the Parties concerning any matter arising from this Agreement or the interpretation of any provision of this Agreement.

"Environmental Impact Statement" or "EIS" means the Environmental Impact Statement prepared by BHP dated July 24, 1995 including the Additional Information Request (AIR) dated December 19, 1995, EIS updates dated December 15, 1995 and the Environmental Baseline Study, all of which have been submitted by BHP to the Environmental Assessment Review Panel.

"IBA" means impact and benefit agreements entered into between BHP and representatives of Aboriginal peoples.

"Joint Venture" means the unincorporated joint venture established by the Parties to the Joint Venture Agreement.

"Joint Venture Agreement" means the agreement among BHP and the Blackwater Group comprising Dia Met Minerals Limited, Charles E. Fipke and Dr. Stewart L. Blusson dated August 31, 1990, as amended.

"Lease" means a lease, license or permit, surface leases, permits, rights of ways or easements applicable to the Claim Block for such surface and/or subsurface mineral rights as may be or is currently under lease to BHP from the Government of Canada or the Government of the Northwest Territories.

"Local Businesses" means a business organization, which may be an incorporated company, unincorporated joint venture, partnership, proprietorship or cooperative acting for the benefit of any Northern Resident in which Northern Residents shall have substantial management authority or in which Northern Residents shall have a significant working interest.

"Mine" means each separate work and undertaking from which minerals, diamonds or ore containing minerals or diamonds are removed from the earth of, or from talus on, the lands within the Claim Block and, for greater certainty, where one or more kimberlite pipes are being worked for the removal of diamond bearing ores, each separate pipe will be a separate Mine. This Agreement will apply to all such undertakings.

"Northern Resident" means a person:

a) who maintains a self-contained domestic establishment in the Northwest Territories other than a residence at a remote work site, and who primarily resides at that domestic establishment when not residing at a remote work site or attending an educational institution full time, and

b) who:

(i) has continuously been a Northwest Territories resident for a period of at least six months immediately prior to being hired, or

(ii) is an Aboriginal.

"Northwest Territories" has the meaning attributed to it in the *Northwest Territories Act*, R.S.C. 1985 c. N-27.

"Operations" means every kind of work done or in respect to the production and the abandonment of the Mine including, investigating, exploring, developing and maintaining the Mines, preparing reports, estimates and studies, designing, equipping, improving, surveying, constructing, coring, mining, processing, rehabilitation, reclamation and environmental protection.

"Operation Phase" means that period of time commencing on the date that the first Mine goes into commercial production (when diamonds in sizable quantities are

recovered and offered for sale on a regular basis) within the Claim Block, until permanent closure of the last Mine of the Project.

"Parties" means BHP Diamonds Inc. on behalf of and as operator of the Joint Venture and the Government of the Northwest Territories.

"Points of Hire" means the places in the Northwest Territories at which individuals become employees of BHP and includes the City of Yellowknife and such other communities as may be identified in the IBAs and such other communities as may be mutually agreed upon by the Parties.

"Project" means the BHP Diamonds Project described in the Project Description Report dated December 1994 and submitted by BHP to permitting and regulatory authorities, which includes the construction, operation and maintenance of appropriate facilities and infrastructures for the development and mining of diamond ore bodies in the Claim Block.

1.2 Extended Meanings

1.2.1 In this Agreement, words importing gender shall include all genders, words importing the singular include the plural and vice versa, and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and government authorities.

1.2.2 The Construction Phase, the Development Phase and the Operation Phase may occur contemporaneously.

1.2.3 For the purpose of determining whether a person is a Northern Resident, the possession of a Northwest Territories Health Card, with an address other than that of the Mine or a transient address at another remote mine site, shall be *prima facie* evidence of Northern Resident status.

1.3 Headings

1.3.1 The heading of the sections and subsections of this Agreement are inserted for the convenience of reference only and shall not affect the construction or interpretation of this Agreement in any way.

Section 2.0: PURPOSE OF AGREEMENT

2.1 Purpose

The purpose of this Agreement is to ensure that:

2.1.1 Procedures, terms and conditions are established under which, from a socio-

economic perspective, the Government of the Northwest Territories will be involved in, and work cooperatively with BHP toward the success of the Project;

- 2.1.2 To the greatest degree reasonably practicable the GNWT provides programmes, as set out below in this Agreement, to the people of the Northwest Territories to take advantage of the training, employment and business opportunities arising from the Operations of the Project;
- 2.1.3 To the greatest degree reasonably practicable, training, employment and business opportunities arising from the Operations of the Project shall be made available by BHP to Northern Residents;
- 2.1.4 The regular monitoring of socio-economic impacts are undertaken, and furthermore unforeseen events or impacts, or impacts the scope or significance of which are greater than foreseen, are addressed and dealt with in accordance with the spirit and intent of this Agreement;
- 2.1.5 As set out in Section 5.0, negative social impacts of the Project on communities are minimized and all opportunities for the increased wellness of those communities are maximised;
- 2.1.6 There exists an effective ongoing working relationship between the Parties on the matters covered by this Agreement in a spirit of cooperation and with mutual respect for the goals and aspirations of each other;
- 2.1.7 A mechanism is provided whereby effective communication, consultation and cooperation can take place between the Parties.

SECTION 3.0: REPRESENTATIVES

- 3.1 The Representative of the GNWT will be the Deputy Minister of Resources, Wildlife and Economic Development.
- 3.2 The Representative of BHP will be the NWT Diamonds Project Manager.

SECTION 4.0: EMPLOYMENT AND TRAINING

4.1 Contacts

- 4.1.1 The primary contact person of the GNWT for the purposes of employment and training will be the Deputy Minister of Education, Culture and Employment.
- 4.1.2 The primary contact person for the purpose of employment and training for

BHP will be the Manager of Human Resources for the NWT Diamonds Project.

4.2 Intent

- 4.2.1 It is the intent of the Parties that BHP shall provide Northern Residents with the opportunity to maximize the economic opportunities from the Project, in the form of employment, recruitment and training that may be obtained during all phases of the Project, whether those employment opportunities are provided directly by BHP or by its Contractors. To such end, BHP undertakes to implement the human resources strategy outlined below.
- 4.2.2 BHP hereby agrees to take all reasonable steps, acting in good faith, to employ, pursuant to a preferential hiring process, the greatest possible number of Northern Residents in the Project and to meet the objectives set forth in subsections 4.3.1 and 4.3.2 hereof during the Construction and Operation Phases of the Project assuming there are sufficient qualified and interested Northern Residents to fill available positions.
- 4.2.3 GNWT acknowledges that BHP will need to employ from time to time a number of non-Northern Residents with the necessary skills and experience to establish and operate the Project in an efficient manner and to assist in the establishment, development and operation of the on-site training.
- 4.2.4 GNWT acknowledges that BHP will give preference to Aboriginals over other Northern Residents during the selection and hiring of its employees.
- 4.2.5 Notwithstanding the hiring policy, BHP may elect to fill management and professional positions with expatriates as part of its worldwide career development and management programme.
- 4.2.6 The selection, hiring, promoting, transferring, dismissing or otherwise disciplining of all its employees for jobs on the Project shall be within the sole discretion of BHP.

4.3 Employment

- 4.3.1 BHP agrees to establish as an objective that, during the Construction Phase, it will employ Northern Residents in the manner set forth in Schedule "A" to this Agreement.
- 4.3.2 BHP agrees to establish as an objective that, during the Operation Phase, it will employ Northern Residents in the manner set forth in Schedule "B" to this Agreement.

4.3.3 If, at any time after the end of the first two years of the Operation Phase, BHP has failed to employ Northern Residents in the manner set forth in Schedule "B" to this Agreement, and if there were sufficient qualified and interested Northern Residents to fill available positions, then BHP shall take further steps to actively encourage a Northern Resident workforce consistent with the targets identified in Schedule "B".

4.3.4 BHP agrees to provide encouragement to women who apply to be employed in non-traditional occupations and, in so doing, BHP shall, by June 30, 1997, develop, in consultation with GNWT and the Status of Women Council of the Northwest Territories, a strategy for the training, recruitment and employment of women in traditional and non-traditional occupations.

4.3.5 BHP agrees to provide special consideration for Northern Residents who have completed designated training programs.

4.3.6 BHP agrees to hire based on personal aptitude as well as standard employment criteria such as education, experience and qualifications.

4.3.7 BHP and the GNWT agree to work cooperatively to exceed the objectives set forth in 4.3.1 and 4.3.2 hereof and to advance the interests expressed in 4.3.4 hereof.

4.4 Labour Market Information

4.4.1 BHP agrees to cooperate with the GNWT in the development of labour market information.

4.4.2 The GNWT agrees to share with BHP any available Job Skills Inventory and other related information regarding Northern Residents.

4.5 Employment Obligations

4.5.1 BHP hereby commits to take all reasonable steps to ensure that its Contractors at the Project adopt a hiring policy that is consistent with this Agreement. BHP shall, where appropriate, in connection with bids for contracts on the Project:

(i) require all Contractors to expressly state their commitment to hiring Northern Residents;

(ii) evaluate bids on the basis of whether appropriate commitments to hire Northern Residents are included or planned for in the bid;

(iii) incorporate the successful bidder's commitments to hire Northern

Residents into the contract document; and

(iv) require all contractors to regularly report on their Northern Resident hires and to explain their performance to management.

- 4.5.2 BHP shall, to the greatest extent possible, and subject to Section 4.5.3 and 4.5.4, employ Northern Residents throughout the range of job classifications in the Operation Phase and to provide training and apprenticeship programmes with the intent of promoting qualified Northern Residents into as many management positions as possible.
- 4.5.3 BHP may require that Northern Residents obtain appropriate qualifications as a condition of employment or promotion. BHP will be the sole judge of whether an applicant is qualified for promotion.
- 4.5.4 BHP shall implement reasonable standards and procedures in determining the qualifications of the personnel that it hires including criminal records check and agreement of the employee to comply with security provisions and safety requirements satisfactory to BHP. BHP will be the sole judge of whether an applicant for a position is qualified.
- 4.5.5 No security measures involving the utilization of X-Rays, or other security procedures with potential health risks, will be implemented without full consultation with representatives of the GNWT Department of Health and Social Services.
- 4.5.6 BHP shall make available to employees who are Northern Residents all opportunities for advancement, including training and apprenticeships, as are ordinarily provided to BHP employees.
- 4.5.7 BHP, in accordance with its established work schedules, will provide employees, on their own time, with free scheduled round-trip work related transportation to the Mine from the Points of Hire and the following communities: Hay River, Fort Resolution, Fort Smith, Deline, Inuvik, Norman Wells, Fort Simpson and Cambridge Bay.
- 4.5.8 During the Operation Phase, BHP will not pay the travel costs of employees travelling, during regular shift changes, outside the Northwest Territories.
- 4.5.9 Employment will be subject to the acceptance by the applicant of a BHP NWT Diamonds standard employment contract for the Project and code of conduct applicable to all employees. In addition, each applicant being offered employment will be required to undergo an employment medical examination.

4.5.10 BHP shall take reasonable steps to ensure that the Mine is free of non-medical drugs and alcohol. Possession of such at the Mine will be prohibited and will constitute, at the discretion of BHP, grounds for immediate dismissal.

4.5.11 The work rotation schedule foreseen for a majority of the Project employees is two (2) weeks on and two (2) weeks off.

4.5.12 BHP shall, in concert with the GNWT, work with banks to provide employee access to banking services in the Points of Hire.

4.6 Employment Support System

BHP recognizes that support measures will be important contributions to maximizing Northern Resident employment. Such measures would assist Northern Resident employees to perform well in the jobs and help their local communities cope with any potential effect of the development of the Project. Without limiting the generality of the foregoing, BHP shall take reasonable steps to provide the following:

4.6.1 General Support Programmes

BHP agrees to assist in the development or support of drug and alcohol rehabilitation programmes, money management workshops and other individual support matters. Such assistance may include liaising with Ministries, Territorial Agencies and community mobilization initiatives (as described in Schedule "C" to this Agreement) or other sources having a mandate to deal with such issues.

4.6.2 Orientation

BHP agrees to provide Northern Resident employees with Mine employment orientation programmes.

4.6.3 Cross-Cultural Training

BHP shall make reasonable efforts to promote inter-cultural dialogue and understanding at the Project. To this end, BHP shall provide cross-cultural orientation and training for all employees focusing on both Aboriginal and non-Aboriginal cultures and mining industry cultures.

4.6.4 Employment Counselling

BHP shall institute an employee assistance programme that will provide all employees at the Project free professional counselling for career

opportunities, personal and family related problems, upon request.

4.6.5 Technical Education

BHP, in cooperation with the GNWT Apprenticeship Programme, agrees to sponsor Mine related technical education and apprenticeship opportunities at suitable institutions for selected Northern Residents who are active employees in the Project.

4.6.6 Official Languages

BHP agrees to the use of appropriate N.W.T. Official Languages on signage and other employee communications and to utilize international symbols wherever possible to facilitate communication and safety.

4.6.7 International Safety Symbols

BHP shall provide on-site training to facilitate the reading of international safety symbols.

4.6.8 Removal to Northwest Territories

BHP agrees to provide reasonable costs for the transport of household goods for employees who are not Northern Residents to move to the Northwest Territories.

4.7 Students

4.7.1 Summer Employment

Subject to priority being granted to Aboriginal students, BHP shall take all reasonable steps to make summer employment available to Northern Resident students during the Operation Phase.

4.7.2 Orientation Programme

BHP shall in consultation with the various school administrations establish an information and orientation programme for high school students regarding the mining industry and job opportunities at the Project. BHP will continue its policy of hosting periodic student visits to the Mine to foster interest and familiarity with potential opportunities in the mining industry.

4.7.3 Scholarships

Subject to priority being granted to Aboriginal students, BHP agrees to make

a number of scholarships available to Northern Residents studying in programmes to be mutually agreed upon by the Parties.

4.8 Training

Subject to priority being granted to Aboriginal employees, BHP will offer Northern Residents opportunities for training and apprenticeships in order to maximize the number of available jobs and management positions at the Project that potentially will be filled by Northern Residents. BHP shall undertake training and apprenticeship programmes either at the Mine or at its other operations or elsewhere as appears appropriate. The GNWT shall cooperate with and assist BHP to obtain any available government assistance which BHP may seek in order to carry out its commitment to training and apprenticeships.

4.8.1 Contractors

BHP shall take all reasonable steps to ensure that its Contractors implement training programmes. BHP shall, where appropriate, in connection with bids for contracts on the Project:

- (i) require Contractors to expressly state their commitment to Northern Resident training;
- (ii) require Contractors to outline their programmes for training Northern Residents; and
- (iii) evaluate such bids on the basis of whether an appropriate amount was included for Northern Resident training costs.

Section 4.8.1 shall apply primarily during the Operation Phase of the Project where contracts will be of longer term than during the Construction Phase. However, BHP and GNWT will cooperate in promoting training programmes deemed appropriate during the Construction Phase.

4.8.2 BHP Training Programmes

BHP shall, in consultation with the governmental agencies, and subject to employee interest, establish multi-skill development training programmes for employees that include orientation, training in job safety, skills training in various jobs leading to certification, supervisory and management training and selected external training programmes, all with the intention of qualifying employees who are Northern Residents for supervisory positions. Additional training for employees, depending on availability of appropriate staff and sufficient interest could be offered in such areas as business administration, accounting, environmental technology, use of computers, resource

development planning, purchasing and warehousing, assaying, geology and exploration.

4.8.3 GNWT Training Programmes

The GNWT agrees to continue offering pre-employment training programmes and will commit resources in order to ensure availability to Northern Residents. The GNWT also agrees to develop an accelerated apprenticeship programme to enable Northern Residents to become qualified tradespeople and thereby take advantage of the employment opportunities created by the Project.

SECTION 5.0: SOCIAL ISSUES

5.1 Contacts

5.1.1 The primary contact person of the GNWT for the purposes of social issues will be the Deputy Minister of Health and Social Services.

5.1.2 The primary contact person for the purpose of social issues for BHP will be the Manager of Human Resources for the NWT Diamonds Project.

5.2 GNWT Commitments

5.2.1 The GNWT agrees to use the list of fourteen (14) indicators for health and wellness set forth as Schedule "D" to this Agreement to monitor and assess the impact of the Project.

5.2.2 The GNWT agrees to use the information set forth in Schedule "E" to this Agreement for each Point of Hire as the baseline data for the fourteen (14) indicators for health and wellness.

5.2.3 The GNWT agrees to prepare an annual health and wellness report for each Point of Hire based upon the data referred to in 5.2.1 and 5.2.2 of this Agreement as well as information that will be gathered by it.

5.2.4 The GNWT agrees to meet with BHP on an annual basis to review the health and wellness report and to develop plans of action that could be undertaken to improve the results.

5.2.5 The GNWT agrees to consult with Boards, communities and organizations to review the results of the health and wellness report on how to improve the results.

- 5.2.6 The GNWT agrees to adopt a proactive approach in assisting Points of Hire communities in the establishment of daycare programmes in order to encourage the employment of Northern Residents in the Project.
- 5.2.7 The GNWT recognizes the seriousness of spousal abuse and agrees to adopt a proactive approach in assisting Points of Hire communities in preventing spousal abuse.

5.3 BHP Commitments

- 5.3.1 BHP agrees to establish a working relationship with frontline health and social service providers employed by the GNWT and its various agencies.
- 5.3.2 BHP agrees to collect attitudinal survey information from its employees which will form part of the health and wellness report.
- 5.3.3 BHP agrees to work closely with the GNWT and its various agencies to encourage the effective and integrated use of community resources in addressing any negative socio-economic impacts arising from the Project.

SECTION 6.0: COMMUNITY MOBILIZATION

- 6.1.1 The GNWT and BHP agree to continue supporting the community mobilization initiatives.

SECTION 7.0: BUSINESS DEVELOPMENT

7.1 Contacts

- 7.1.1 The primary contact person of the GNWT for the purposes of business development will be the Executive Director, Resources and Economic Development, in the Department of Resources, Wildlife and Economic Development.
- 7.1.2 The primary contact person for the purpose of business development for BHP will be the Manager of Mine Development for the NWT Diamonds Project.

7.2 Intent

- 7.2.1 It is the intent of the Parties that BHP will apply every reasonable effort consistent with the targets established pursuant to Section 7.3, to purchase goods and services provided by Local Businesses to the extent that such purchases do not add materially to the cost of the Project or compromise the quality or timing of the Project.

7.3 Objectives

7.3.1 BHP agrees to establish as an objective that, during the Construction Phase, it will purchase goods and services from Local Businesses in the manner set forth in Schedule "F" to this Agreement.

7.3.2 BHP agrees to establish as an objective that, during the Operation Phase, it will purchase goods and services from Local Businesses in the manner set forth in Schedule "G" to this Agreement.

7.4 Support to Local Businesses

7.4.1. BHP agrees to:

a) establish a procurement office in the Northwest Territories for the Operation Phase;

b) to conduct business opportunity seminars and workshops in the Points of Hire and will make the business community aware of its corporate policy respecting procurement guidelines;

c) make reasonable efforts to provide Local Businesses with information relating to BHP's procurement needs which may include workshops, publications and advertisements in trade magazines;

d) wherever practicable, facilitate subcontracting opportunities for smaller Local Businesses, particularly aboriginal-owned businesses provided that there will be no adverse economic effect on the cost or quality of the Project. BHP will unbundle contracts whenever practicable;

e) assist Local Businesses which are awarded contracts in securing downpayment monies for the acquisition of goods and equipment by providing financial institutions with the necessary documentation establishing that the contract has been awarded subject to suitable financing being secured; and

f) share with the GNWT any available Local Business listing and work with the GNWT to identify possible opportunities for joint ventures by Local Businesses, and particularly by Aboriginal-owned businesses.

7.4.2 The GNWT agrees to:

- a) provide, where appropriate, all information that it has available on the capabilities of Local Businesses to provide services and supply goods to the Project to BHP on a timely basis;
- b) work with Northern Residents in the Points of Hire to develop a directory of Local Businesses specifying the types of goods and services that the Local Businesses can provide to the Project as well as the names of and ways of contacting the owners of the Local Businesses;
- c) commit, where appropriate, to provide assistance programmes as well as other business services to Local Businesses in an effort to assist them in taking advantage of the business opportunities resulting from the Project;
- d) share information and experience on Business Incentive policies with BHP in the event that the latter wishes to introduce preference policies as a further means of meeting the objectives in 7.3; and
- e) share, where appropriate, with BHP, on an ongoing basis, such directories, catalogues or databases which it creates, funds or maintains of NWT suppliers, manufacturers, services etc.

SECTION 8.0: MONITORING

- 8.1 BHP and the GNWT agree that monitoring the results of this Agreement is important and they will mutually work toward the adoption of programmes and policies to improve the monitoring in accordance with the principles as set out in Schedule "H".
- 8.2 BHP agrees to provide an annual report providing information on the progress of Northern Residents and Local Businesses in training, employment, and business opportunities.
- 8.3 BHP and the GNWT agree to meet on an annual basis to review the report referred to in 8.2 hereof and to develop plans of action that could be undertaken to improve the results.
- 8.4 BHP and the GNWT agree to consult annually with Points of Hire communities and other Northwest Territories communities to review the results of the report referred

to in 8.2 hereof and to consult with Northern Residents living in those communities on how to improve the results.

- 8.5 BHP and GNWT agree that their Representatives in 3.0 hereof will, if requested by the Minister of Resources, Wildlife and Economic Development, appear annually before an *ad hoc* Committee comprised of members of the Executive Council and the Legislative Assembly of the Northwest Territories to report on the progress of Northern Residents and Local Businesses in training, employment, and business opportunities.

SECTION 9.0: OTHER

9.1 Dispute Resolution

- 9.1.1 In the event of a Dispute between the Parties on any matter covered within this Agreement, the Parties will use all reasonable efforts to amicably resolve differences.
- 9.1.2 Where a Dispute cannot be amicably resolved, one of the Parties may give written notice to the other, in which case the following Dispute resolution proceedings will begin.
- 9.1.3 The Representatives referred to in 3.0 will then have thirty (30) days after receipt of the notice in 9.1.2 to attempt to resolve the Dispute and may jointly appoint a neutral party to assist them in resolving the matter or may formally refer the Dispute to binding arbitration.
- 9.1.4 If the Dispute is not resolved pursuant to 9.1.3, or if it is referred to binding arbitration then it shall be:
- (i) referred to a single arbitrator if the Parties agree, otherwise to three arbitrators, one of whom shall be chosen by BHP, one by the GNWT and the third by the two so chosen and the third arbitrator so chosen shall be the chairman. Arbitrators shall be independent, disinterested, knowledgeable and experienced in the issue in Dispute. A decision may be made by a majority of the arbitrators.
 - (ii) If, within fifteen (15) days or such extended time as the Parties may agree upon, a party who has been notified of a Dispute being referred to arbitration fails to appoint an arbitrator or the two arbitrators appointed by the Parties do not agree upon the third arbitrator, then the party or Parties not in default may apply to the Supreme Court of the Northwest Territories for the appointment of an arbitrator or both of such arbitrators.

(iii) The cost of the arbitration shall be awarded in the discretion of the arbitrator or arbitrators who may direct to and by whom and in what manner those costs or any part thereof shall be paid and may tax and settle the amount of costs to be so paid or any part thereof and may award costs to be paid as between a solicitor and his client. Except as to matters otherwise provided herein, the provisions of the *Arbitration Act*, R.S.N.W.T. 1988, c. A-5, as am. shall apply.

9.2 Amendment

9.2.1 This Agreement may only be amended from time to time by consent of the Parties hereto by an instrument in writing. No term in this Agreement may be changed or waived except in writing. No waiver shall constitute a continuing waiver unless expressed as such.

9.2.2 The Parties agree that this Agreement will be reviewed during the annual meeting referred to in section 8.3 of this Agreement.

9.3 Closure

9.3.1 In the event that BHP decides to permanently close the Project, it will give as much notice as possible to the GNWT.

9.3.2 Prior to permanently closing the Project, BHP will provide reasonable levels of assistance for the education and re-training of Northern Resident employees as well as employment and relocation counselling for Northern Resident employees.

9.4 Force and Effect and Term

9.4.1 This Agreement shall be of no force and effect if BHP does not proceed with Development or Operation of the Mine or if Development or Operations are made subject to conditions or restrictions that would render the Project uneconomic and the Project is no longer operated.

9.4.2 This Agreement shall be of no force and effect until BHP has delivered to the GNWT a certified copy of a resolution duly adopted by the Board of Directors of BHP approving this Agreement.

9.4.3 This Agreement shall be of no force and effect until the GNWT has delivered to BHP written notice that, by a Record of Decision, the Executive Council of the GNWT has adopted this Agreement.

9.4.4 Subject to the provisions of this section, this Agreement will become effective upon delivery of the resolution or notice previously referred to and will

continue until the closure of the last Mine.

SECTION 10: GENERAL UNDERTAKINGS OF THE Parties

10.1 Severability

The provisions of this Agreement are severable. If any provision is declared to be void or unenforceable it shall be severed and the remaining provisions of this Agreement shall continue to have full force and effect.

10.2 Applicable Laws

This Agreement shall be governed by and interpreted in accordance with the laws of the Northwest Territories and the laws of Canada applicable therein.

10.3 Entire Agreement

This Agreement, as of the date hereof, will constitute the entire agreement between the Parties with respect to the subject matters set forth herein and will supersede any prior agreement, negotiation or understanding between the Parties. There are no other collateral agreements or understandings related to the subject matter hereof. Notwithstanding this, BHP acknowledges that it must comply with all laws in force in the Northwest Territories relating to the Project.

10.4 No Implied Covenants

BHP and the GNWT have expressed their entire understanding and agreement herein concerning the subject matter of this Agreement and no implied covenant, condition, term or reservation shall be read into this Agreement relating to or concerning such subject matter.

10.5 Further Assurances

BHP and the GNWT shall from time to time do such further acts and execute and deliver all such further documents in a timely fashion as shall be reasonably required in order to perform and carry out the terms of this Agreement.

10.6 No Agency, Partnership

Nothing herein shall be construed to create a relationship of agency, partnership, fiduciary or similar relationship.

10.7 Notices

Any notice, demand, waiver, election or other communication required or permitted

to be given hereunder shall be in writing and shall be deemed to be sufficiently given if personally delivered or telecopied, addressed to the Party to whom the same is given, as follows:

(a) In the case of BHP:

BHP Diamonds Inc.
1050 West Pender, Suite 1600
Vancouver, BC V6E 3S7

Attn: Jim Excell, Project Manager

Telephone: (604) 683-6921
Fax: (604) 682-2667

with a copy to:

BHP Diamonds Inc.
4920-52nd Street, Suite 1102
Yellowknife, NT X1A 3T1

Attn: David Boyd, Human Resource Manager

Telephone: (403) 669-9292
Fax: (403) 669-9293

(b) In the case of the GNWT:

Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NT X1A 2L9

Attn: Deputy Minister of Resources, Wildlife and Economic Development

Telephone: (403) 920-8694
Fax: (403) 873-0563

or such other address as any Party may from time to time advise the other by notice in writing. Any notice given by personal delivery shall be deemed to be received on the date of delivery. Any notice sent by fax shall be deemed to have been received on the next day following its transmission that is not a Saturday, Sunday or statutory holiday in British Columbia or the Northwest Territories.

10.9 Signing in Counterpart

This Agreement may be signed by the Parties in counterpart. Each executed counterpart shall be deemed to be an original and all executed counterparts taken together shall constitute one and the same instrument.

10.10 Enuring Clause

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, successors and assigns.

10.11 Assignment

BHP shall not assign this Agreement or any part of it, nor be released from its obligations or covenants under this Agreement, unless:

- a) it is determined by BHP, in BHP's sole discretion, that the assignee has the financial and such other capacity and qualifications as may be required to carry out the obligations under this Agreement; and
- b) the assignee enters into an agreement with GNWT in which the assignee assumes all of BHP's obligations and liabilities under this Agreement;

and where the conditions in this section 10.11 are met, BHP shall be released from all covenants and obligations under this Agreement that are assumed by the assignee.

10.12 Conflict with IBA's

Where there is any inconsistency or conflict between an IBA and this Agreement the IBA shall prevail to the extent of the inconsistency or conflict.

10.13 Force Majeure

Subject to 9.3, in the event the Project and the Mines are destroyed by fire, the elements or any other cause whatsoever and the Project and the Mine are not rebuilt, or in the event that it is no longer feasible to operate the Project and the Mine, BHP shall be released from all covenants and obligations under this Agreement.

10.14 Financial Administration Act

BHP acknowledges that programme commitments made by the GNWT in this Agreement are subject to Section 46 of the *Financial Administration Act*, R.S.N.W.T.

1988 which reads as follows:

It is a condition of every contract made by or on behalf of the Government requiring an expenditure that an expenditure pursuant to the contract will be incurred only if there is a sufficient uncommitted balance in the appropriated item for the fiscal year in which the expenditure is required under the contract.

10.15 Schedules

For greater certainty, the Parties agree that the Schedules to this Agreement form part of this Agreement.

10.16 Environmental Impact Statement

Nothing in this Agreement shall lessen, or otherwise remove any obligation or commitment undertaken by BHP in the proposal to operate the diamond mine as fully described in the Environmental Impact Statement prepared by BHP dated July 24, 1995 as well as the Additional Information Request dated December 19, 1995, an Update dated December 15, 1995 and the Environmental Baseline Study, all of which were submitted to the Environmental Assessment Review Panel;

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed in their respective names by their duly authorized representatives.

GOVERNMENT OF THE NORTHWEST
TERRITORIES

Per: _____

Witness _____

BHP DIAMONDS INC.

Per: _____

Witness _____

SCHEDULES TO AN AGREEMENT BETWEEN THE
GOVERNMENT OF THE NORTHWEST TERRITORIES AND
BHP DIAMONDS INC.

Schedule "A"	Employment Objectives - Construction Phase
Schedule "B"	Employment Objectives - Operation Phase
Schedule "C"	Community Mobilization Programme
Schedule "D"	14 Indicators for Health and Wellness
Schedule "E"	Baseline Data for the 14 Indicators for Health and Wellness
Schedule "F"	Business Development Objectives - Construction Phase
Schedule "G"	Business Development Objectives - Operation Phase
Schedule "H"	Principles for Monitoring

SCHEDULE "A"
EMPLOYMENT OBJECTIVES, CONSTRUCTION PHASE

Employment resulting from the Project is seen as a significant benefit to Northern Residents. In the Environmental Impact Statement (EIS), BHP identified the levels of employment expected to be provided to Northern Residents as well as Aboriginals. The information provided in the EIS serves as the basis for monitoring and reporting on employment.

The Construction Phase of the Project is expected to be completed by the end of 1998. The nature and term of employment during the Construction Phase will differ from that in the Operation Phase.

- 1.0 Northern Resident employment throughout the phase will be 33% of the total employment associated with the Construction Phase of the Project, including Contractors. Aboriginal employment will make up at least 44% of the Northern Resident employment during this period.
- 2.0 BHP will report annually, within two (2) months of the end of the calendar year, on Northern Resident employment. The first Northern Resident employment report will report on the 1997 year.
- 3.0 Annual reports on employment pursuant to section 8.2 of this Agreement will include the following information:
 - 3.1 The total number of employees and person years.
 - 3.2 The number of Northern Resident employees and person years worked.
 - 3.3 The number of Aboriginal employees and person years worked.
 - 3.4 The categorization of all totals listed in 3.1, 3.2 and 3.3 by job category.
 - 3.5 The total number of women employed in traditional and non-traditional occupations.
- 4.0 Employment reports will serve as a basis for discussion of planning and delivery of GNWT training and employment programmes and services.

Init: SK
Init: gnr

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SCHEDULE "B"

EMPLOYMENT OBJECTIVES, OPERATION PHASE

Employment resulting from the Project is seen as a significant benefit to Northern Residents. In the Environmental Impact Statement (EIS), BHP identified the levels of employment which it expected to provide to Northern Residents during the course of the Project. The information in the EIS serves as the basis for the monitoring and reporting on employment.

During the Operation Phase employment levels will vary depending upon production levels. Monitoring and reporting of employment will reflect these differences.

- 1.0 Northern Resident employment throughout the Operation Phase will be 62% of total employment associated with the Operation Phase of the Project, including Contractors, and 72% during the period of operations at 18,000 tpd.
- 2.0 Aboriginal employment will equal at least 50% of the Northern Resident employment.
- 3.0 Annual reports on employment pursuant to section 8.2 of this Agreement will include the following information:
 - 3.1 The total number of employees and person years.
 - 3.2 The total number of Northern Resident employees and person years worked.
 - 3.3 The number of Aboriginal employees and person years worked.
 - 3.4 The categorization of all totals listed in 3.1, 3.2 and 3.3 by job category.
 - 3.5 The total number of women employees in traditional and non-traditional occupations.
- 4.0 Employment reports will serve as a basis for discussion of planning and delivery of GNWT training and employment programmes and services.

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SCHEDULE "C"
COMMUNITY MOBILIZATION ACTIVITIES

The Parties to this Agreement believe that it is important that communities, Local Businesses, governments and industry associations work cooperatively to identify ways to increase Local Businesses opportunities which may result from the Project.

- 1.0 Encourage communities, organizations and Local Businesses to meet and discuss approaches which can be used to increase Local Businesses involvement in Project activities.
- 2.0 Distribute information intended to support development of cooperative business efforts.
- 3.0 Support activities which strengthen understanding of the business opportunities resulting from this Project.
- 4.0 Meet periodically to discuss approaches which will enhance mobilization.

The Parties expect that a number of efforts and activities will occur over the life of the project to support community mobilization.

Init: SK
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SCHEDULE "D"

INDICATORS OF COMMUNITY HEALTH AND WELLNESS

The Parties agree that the Project will impact on the socio-economic conditions of the "Point of Hire" communities. As well, it is recognized that communities are currently undergoing significant social change. To assess the impact of change the GNWT has agreed to monitor selected indicators. Information gained from the monitoring process will be used, in cooperation with communities, to identify activities which strengthen benefits and mitigate negative impacts of social change.

- 1.0 The following listing of selected indicators will be used in the monitoring process in "Point of Hire" communities:

- Average income of residents
- Employment levels and participation rates
- Rates of High School Completion
- Housing indicators (number of dwellings, average number of persons per dwelling, average number of people per bedroom, percentage of units with full plumbing and heating systems, etc.)
- Teen birth rates
- Number of children in care
- Number of suicides
- Number of injuries
- Number of potential years of life lost
- Number of communicable diseases
- Social Assistance cases
- Number of alcohol and drug related crimes
- Number of property crimes
- Number of complaints of family violence

- 2.0 It is understood that the information collected will be shared with the community governments of the "Point of Hire" communities.
- 3.0 The listing of indicators may be adjusted, from time to time, based on discussions with the "Point of hire" communities and the Parties to this Agreement.

Init: SK
Init: JRB

SCHEDULE "E"
BASELINE DATA SOURCES
FOR COMMUNITY HEALTH AND WELLNESS INDICATORS

To assess the socio-economic impact of change related to the Project on "Point of Hire" communities the Parties have agreed to the collection of data based upon fourteen (14) selected indicators. Baseline data sources must be defined so that information gained in the monitoring process can, over time, be compared and assessed.

The sources for the baseline data for the selected fourteen indicators are as follows:

1.0 Reports prepared for 1995 by GNWT Departments and Agencies for:

- High school completion rates
- Number of Social Assistance cases
- Potential years of life lost
- Number of communicable diseases
- Number of children in care
- Number of family violence complaints
- Teen birth rate
- Number of injuries

2.0 Reports prepared for 1994 by GNWT Departments and Agencies for:

- Employment rates and employment participation rates
- Number of property crimes
- Number of suicides
- Number of alcohol and drug related crimes
- Average income

3.0 Reports published in 1992 by GNWT Departments and Agencies for:

- Housing indicator

4.0 The GNWT shall provide to BHP by November 30, 1996, all available source documents for the baseline data information referred to above.

5.0 Should the listing of indicators be changed, the GNWT will, at the time of selection, identify the source document which provides baseline data for the selected indicator. It is possible some baseline data may need to be averaged over multiple years due to small or no numbers in any given year.

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Init: JW

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SCHEDULE "F"
BUSINESS OBJECTIVES, CONSTRUCTION PHASE

The purchase of goods and services for the Project will benefit the northern economy and Local Businesses. In the Environmental Impact Statement (EIS), BHP identified expected levels of activity and described the degree to which the activities of the Project would benefit Local Businesses. This information serves as the basis for monitoring and reporting on business objectives.

The Construction Phase is expected to be completed by the end of 1998. The patterns of the purchase of goods and services during the Construction Phase will differ from those in the Operation Phase.

- 1.0 Local Businesses will supply 28% of the total annual value of goods and services purchased.
- 2.0 BHP will report on the purchase of goods and services from Local Businesses on an annual basis beginning in 1996.
- 3.0 Annual reports on the purchase of goods and services pursuant to section 8.2 of this Agreement will include the following information:
 - 3.1 The total annual value of goods and services purchased.
 - 3.2 The total annual value of goods and services purchased through Local Businesses by geographic location.
 - 3.3 Value of Local Business purchases by industry categories (ie. transportation, fuel, equipment, etc.).
 - 3.4 The total annual value of goods and services purchased through Aboriginal-owned businesses.
- 4.0 The information provided in the annual reports will serve as a basis for discussion of planning and delivery of GNWT business support programmes and services.

Init: SK
Init: YJR

SCHEDULE "G"
BUSINESS OBJECTIVES, OPERATION, PHASE

The purchase of goods and services for the Project will benefit the northern economy and Local Businesses. In the Environmental Impact Statement (EIS), BHP identified expected levels of activity and described the degree to which the activities of the Project would benefit Local Businesses. This information serves as the basis for monitoring and reporting on business objectives.

During the Operation Phase business activity will vary depending upon the production levels at the mine. Monitoring and reporting of business activity will reflect this factor.

- 1.0 Local Businesses will supply 70% of the total annual value of goods and services purchased.
- 2.0 Annual reports on the purchase of goods and services pursuant to section 8.2 to this Agreement will include the following information:
 - 2.1 The total annual value of goods and services purchased.
 - 2.2 The total annual value of goods and services purchased through Local Businesses by geographic location.
 - 2.3 Value of Local Businesses purchases by industry category (ie. transportation, fuel, equipment, etc.).
 - 2.4 Cumulative totals of goods and services purchases for the Phase.
 - 2.5 The total annual value of goods and services purchased through Aboriginal-owned businesses.
- 3.0 The information provided in the annual reports will serve as a basis for discussion of planning and delivery of the GNWT business support programmes and services.

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SCHEDULE "H"

PRINCIPLES FOR MONITORING OF ACTIVITIES

Monitoring activities provide mechanisms whereby both Parties can objectively and systematically measure the degree to which obligations arising from this Agreement are met. Monitoring will be carried out in a manner which will benefit both Parties and will assist the Parties in carrying out their respective responsibilities.

To guide the monitoring process the Parties will:

- 1.0 Ensure that the information collected and analysed is accurate and respects the spirit and intent of this Agreement.
- 2.0 Exercise due diligence to ensure that no confidential information relating to specific individuals or businesses is disclosed to the public.
- 3.0 Subject to 2.0, apply the principle of transparency with respect to calculation and reporting of results.
- 4.0 Present, with any reporting of statistical information, written documentation which describes the methodology and assumptions used to develop the information.
- 5.0 Maintain, wherever possible, the assumptions and methodologies used in the monitoring and reporting processes in a consistent manner throughout the life of the Project.
- 6.0 Provide information reported in aggregate form.
- 7.0 Subject to 2.0, report information shall become public thirty (30) days after it has been provided to the Parties to this Agreement.
- 8.0 When not otherwise specified report statistical information on the basis of a calendar year.
- 9.0 Develop common approaches to improving the quality and the timeliness of information.
- 10.0 Establish working groups, when necessary, to discuss matters related to monitoring and reporting.

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