

Snap Lake Socio-economic

REPORT
2008

 **DE BEERS**
CANADA
SNAP LAKE MINE



Every year, De Beers reports progress on fulfilling its Socio-economic Agreement with the Government of the Northwest Territories. We outline how we have contributed to the social, economic and cultural wellbeing of the Northwest Territories and the region most impacted by the mine. The Socio-economic Agreement was signed on May 18, 2004 before we received the permits required to construct and operate the mine. This report outlines the progress made on our commitments.

2008 marked the beginning of our first full year in the operations phase. As such, our targets in the Socio-economic Agreement have changed. Although we had commissioned the main process plant in the fall of 2007 and had begun to produce diamonds, 2008 saw significant work done to complete the construction as well as the testing and commissioning of the underground crusher and conveyor system. Our employees did an amazing job, and as the year came to a close, we faced a number of new challenges. Their resilience in the face of the declining economy is gratefully acknowledged.

We are counting on this resilience as we enter 2009, a period of global economic downturn. We will meet this downturn with two planned shutdowns totaling ten weeks, significantly curtailing production to align with client demand for new rough diamonds. Reduced production means we will significantly scale back our expenditures – both operating and capital in the year ahead, but our commitment to literacy, training, cultural and apprenticeship programs will continue. With careful planning and strategic decision-making, we will pull together and face the challenges of 2009.

As we prepare to print this report, I am planning my relocation to the corporate office of De Beers Canada in Toronto in my new role as Chief Operating Officer for our Canadian Operations. For the past six years I have been proud to be a part of the team developing the Snap Lake Mine to where it is today. We have built a great mine and we have grown a strong and united team of northern managers whose commitment to the mine and to the communities close by never waivers. With their continued leadership and dedication and with my full support, I am confident that our team of dedicated employees will bring the Snap Lake Mine through the turbulent times in 2009.

We have all worked hard to bring the Snap Lake Mine into operation, and we will continue to work hard to meet our commitments. We plan on making a lasting, positive impact that, like our diamonds, will last forever.



Chantal Lavoie, P. Eng.
Chief Operating Officer





DE BEERS
CANADA
SNAP LAKE MINE

*De Beers' first mine outside of Africa
And Canada's first completely
underground diamond mine*

OFFICIAL OPENING
JULY 25, 2008

A DIVISION OF DE BEERS CANADA INC



Culture

We know we are visitors in this land, and we respect its people, customs, and lifestyles. We want to participate in and help to preserve local culture. We want to build mutual understanding and mutually beneficial relationships. In addition to financial sponsorship De Beers staff are sensitive to and participate in the cultures of our neighbours.

GRAND OPENING

Our Snap Lake Mine grand opening ceremonies in July 2008, were attended by the Elders from several communities surrounding the mine. They included Michel Paper from Dettah, August Enzoe from Lutselk'e, George Mandeville from the North Slave Métis Alliance and Michel-Louis Rabesca from Behchoko. The Elders blessed the Mine, and the Tlicho drummers performed several traditional songs to celebrate the event.

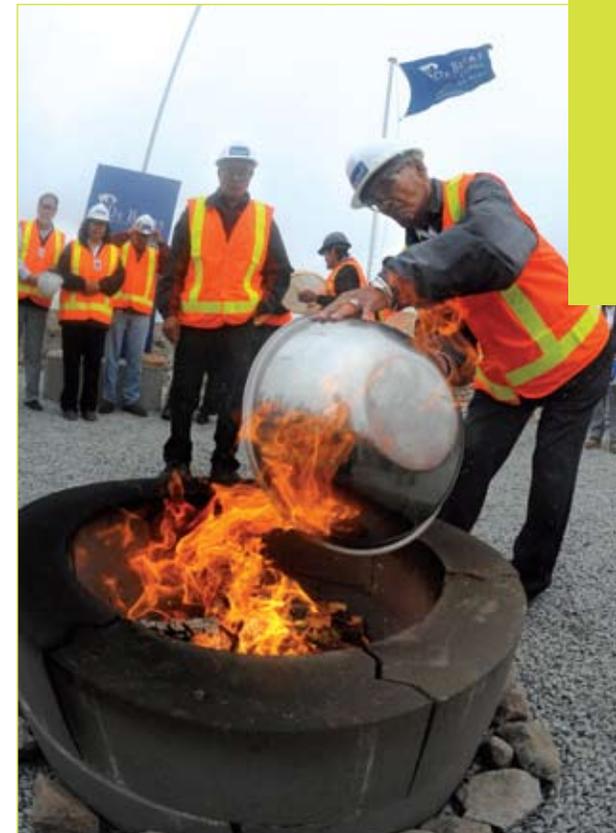
Following a visit between De Beers senior executives and the Elders, the celebrations officially began with a *Feed the Fire Ceremony*. This Dene tradition honours the air, land and water. It began with building a large central fire and was followed by a prayer led by an Elder. Then food and tobacco were given to the fire as a symbol of thanks. Each person on site was invited to contribute to the feeding of the fire. The fire continued to burn through the day to commemorate a successful opening of the Mine and as a prayer for future good fortune. This traditional ceremony was a highlight for guests and De Beers management from near and far.

A Cultural Centre was opened and its official blessing by the Elders took place during the opening ceremonies. The Centre showcases the Aboriginal cultures of the surrounding communities. The Cultural Centre is a spiritual and cultural space set aside for mine employees that can be used for cross-cultural experiences.

The Centre offers the opportunity to experience northern art and artists, to borrow from the library of books and videos featuring NWT cultures, and to participate in Aboriginal games and activities. Some of the most popular items are videos of handgame tournaments and books on arts and crafts. Art materials including brushes, paints, and canvas are also supplied for employees.

Sabet Biscaye led the initiative to build the Cultural Centre. "I take a lot of pride in this company's commitment to culture, language and relationships that are built with the surrounding communities," she said. "Keeping strong relations with our Aboriginal neighbours is critical for the ongoing operation of the mine."

The grand opening ended with gifts for the drummers – handmade vests commissioned from a Dene artisan. The Elders, drummers, and other guests went home assured that De Beers would operate in a way that respected the land.



CROSS-CULTURAL TRAINING

Sabet Biscaye, Senior Community Liaison Coordinator, led the development of the Cross Cultural Training Program, and also teaches the course at the mine. This is a mandatory course for all staff at Snap Lake. The full day of training starts with a description of how people in the north lived before European contact, including familial, social, political and economic structures. Culture and history are covered, together with community descriptions of Whati, Gameti, Behchoko, Wekweeti, Lutselk'e, N'dilo, and Dettah.

Participants are introduced to Cultural Centre resources, and are shown a video of a handgame tournament, with an explanation of what's happening. The cross-cultural course also traces the evolution of treaty rights, and covers residential schools, and other sensitive issues. The day rounds out with a discussion of the role that every employee plays in representing De Beers to our aboriginal neighbours.

The course is evolving with participant feedback. Employees who have participated generally are appreciative of the opportunity to see the world from another perspective and gain greater understanding of northern Aboriginal cultures. The program has been instrumental in giving participating employees

an opportunity to share their traditions and cultures. This has created fascination among employees as they discover the similarities and differences they have.

CULTURE-RELATED SPONSORSHIP

Many of De Beers' sponsorship activities relate to the company's commitment to cultural preservation. We stock traditional foods whenever they are commercially available, with whitefish and drymeat served in the Cultural Centre around special occasions. Bannock, bison, and caribou are also occasionally served in the cafeteria.

Artwork and decorations in the Cultural Centre were acquired from local artisans. It has become a tradition for us to purchase hand made traditional artwork and donate it to silent auctions as one way of supporting local community charities.

De Beers attends the General Assemblies and Annual Gatherings of all of its neighbours. We sponsor community feasts at these events, which afford us an excellent opportunity to hear the concerns of the people and find out about upcoming traditional events that we can support.







Tlilcho Canoe Trip

"I wouldn't hesitate to recommend it to anyone," says Tim.

Len agrees, "This trip does bring people together. It helps people get to know each other and my life has been enriched with new perspectives learned on this journey."

Our approach to supporting northern culture is to embrace it. We find ways to immerse our employees in it so that their lives are enriched. With this in mind we approached the Tlicho Government in 2008, asking permission for the participation of some of our employees in the annual canoe trip to their Annual Gathering. The canoe journey with the Tlicho provided a tremendous opportunity for our employees to spend several days with the Tlicho, journeying over traditional routes, meeting elders and hearing their stories.

De Beers employees selected for the cultural experience were Tim Neuls, Protective Services Senior Supervisor and Len Graf, Maintenance General Supervisor. Both are non Aboriginal employees who were fairly new to the north and who work with a number of Aboriginal employees. They were accompanied on the journey by Grace Mackenzie, Community Liaison Coordinator to the Tlicho communities and their Tlicho guides.

“It was an excellent experience,” says Tim. “This trip has been going on for many years, and not many non-Aboriginal people have had this kind of opportunity to participate.”

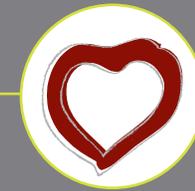
Along the way, the group was privy to the stories and advice given by the Elders, and they learned about trapping, hunting and fishing. They were able to experience the Tlicho interaction with the land firsthand. They learned about Tlicho traditions and beliefs and they gained a new understanding of the traditional way of life.

Participants also learned about traditional diet. Fully immersed in the culture of the Tlicho, the trio shared in the food supplies of their fellow travelers, which consisted mostly of meat for breakfast, lunch and dinner. One of the more memorable moments for Tim and Len occurred when their boat ran low on food. Their guides advised them it was time to head over to the next camp to help themselves.

“In our culture, I just wouldn’t do that. I felt very awkward about going up to people that I didn’t even know to sit down and eat with them without an invitation,” recalls Len. “But we were told that we had just spent ten hours paddling with each other, and that since we were all going to the same place together that we were to consider ourselves part of the whole group. It was an interesting and different perspective and we were warmly welcomed.”

Len and Tim were both very impressed by the resilience and endurance of the Tlicho. It was a tough trip going upstream the whole way and the majority of the time it rained hard. The trip included a seven-kilometer portage, carrying their 250 lb fiberglass canoe. The Elders also carried heavy packs along the route.

As they entered the final approach to Whati, everyone fired bear bangers, guns and cheered loudly. Long lines of people were awaiting them on the shore, welcoming them at the end of the journey.



Be Passionate

We will be exhilarated by the product we sell, the challenges we face and the opportunities we create

Artist-In-Residence

To commemorate the mines grand opening, and the opening of the Cultural Centre, De Beers commissioned James Wedzin to create a large painting that now hangs outside the Cultural Centre. While he was on site, James sold a number of paintings, which prompted the idea of having an Artist-in-Residence program.

From October 6 to 12, 2008, John Rombough stayed at Snap Lake Mine to become one of the first Artists-in-Residence at De Beers. John is a Chipewyan Dene artist, born in the remote community of Sioux Lookout in Northern Ontario, Canada. He came to the north as a young adult seeking out his biological parents, and discovered his biological father, Alfred Catholique, living in Lutselk'e on the East Arm of Great Slave Lake. John decided to move to the community and his painting style today reflects the harmony of the Dene and the natural world.

During his stay, Rombough had his art on display. He sold a number of his paintings, and held several workshops to give employees on site a chance to discover their own artistic talents. Participants' skills ranged from beginners to experienced painters. Participants could choose from four workshops held over the course of the week.

Everyone picked up some pointers from the Artist-in-Residence and went home with their own masterpieces. Since that first week the Cultural Centre has been stocked with art supplies and some De Beers employees have been spending their free time producing works of art.

We enjoyed having John Rombough on site, and we continue to run this program, which helps to build cross-cultural awareness and understanding.

Other artists that have been on site include Myra Delorme, from Fort Resolution, who facilitated two dreamcatcher workshops on National Aboriginal Day and Pauline Williah from Behchoko who showcased her clothing art and taught beading. These workshops are well attended, and raise the profile of the Cultural Centre as a place to meet and learn traditional and new skills.

More exciting plans are in the works. We have a moose hair tufting session and Japanese origami workshop planned for 2009.



Recruitment

The Snap Lake Mine transitioned into its operations phase in 2008. This phase includes a new target for northern resident employment. While the number of Northwest Territories residents on the mine workforce did increase last year, we are not yet at our desired northern employment levels. *(see detailed employment section on pg. 31)*

Our strategy is to train workers for skilled and semi-skilled positions, and increase the capacity of northern workers. Currently many skilled and semi-skilled positions are filled by southern residents, many who contribute to the development of our northern employees.

Employees from outside the Northwest Territories are essential for the capacity building effort as they bring an average of 15-20 years of experience to their positions. They are keen to share their knowledge and act as mentors. De Beers offers relocation assistance to these workers and significant NWT residency benefits, with the hope that they will become Northwest Territories residents. Many of those who have the skills we need decline NWT residency.

De Beers is participating in a survey in 2009 with the GNWT Bureau of Statistics to determine why employees move to and leave the Northwest Territories. The results of that survey may help in recruitment and retention strategies in the future.

APPRENTICE AND TRADE POSITIONS

De Beers has committed to establishing 40 training positions in the operations phase of the mine and is aiming to have these filled by 2010. These include 10 trades training positions, 10 apprenticeship positions, and 20 underground miner positions.

We have exceeded our commitment to trades trainees with a total of 15 trainees on staff in 2008. All trainees are northern Aboriginals. Of these, six were hired prior to 2008, seven were hired as process plant operators, and two were hired for protective services.

Six apprentice positions have been filled - all of the positions currently available. All six apprentices are northern Aboriginals and are in their second year of study. *(continued on pg. 14)*



Women in Mining Oil and Gas Research Project

"One day, in five or six years, I would like to own my own home," she says. "I have it all planned out in my head, and if I keep working hard, I think this job has made it a possibility. I encourage other women, and the next set of people coming through the WMOG program to keep plugging away. There's so much to learn, and there's lots of opportunity for women in the mining industry."



Since 2007, De Beers has been participating in the Women in Mining, Oil and Gas (WMOG) Research Project both as a financial sponsor and with active membership on the Project Advisory Committee. The purpose of the project is to research into whether a dedicated, women-only, partnership-based and strategic approach to training and development will be successful in increasing the interest level, participation and retention rates of women in industrial and trades based occupations in the northern mining, oil and gas industries. Quarterly reports are produced on the Project status by the NWT Status of Women for participants in the Project and are reviewed by the Steering Committee so that project recommendations can be acted upon.

In 2008, we responded to one of the quarterly report recommendations, establishing formal summer work placement opportunities for women who were completing the Building Trades Helper Program through the WMOG Project. Our goal was to enable some of the women who were contemplating trades careers in the mining industry a chance to experience putting their new skills to work in what is still a male dominated environment, at a remote site and on a rotational basis.

Two work placement opportunities were made available, and both De Beers and the NWT Status of Women agreed that the women would be asked to apply and to go through a formal job interview in order to develop these skills as well.

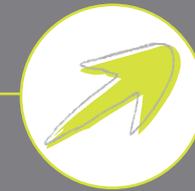
In 2008, three WMOG Building Trades Helper graduates applied for the two positions and De Beers decided, based on the interviews to provide a work placement

opportunity for all three women. One woman returned to school to complete the Trades Access Program at Aurora College. Two of the women subsequently applied for entry level positions at De Beers and were hired and are now full time employees. One of those women is Sarah Tautuajuk.

Sarah describes the program positively, and says she has learned a great deal about welding, underground mining, plumbing, electrical work, and especially carpentry. Being exposed to all these different trades every day, Sarah discovered her love for carpentry and is thinking of pursuing that trade when another opportunity becomes available.

Sarah is now working in the mine maintenance division, inspecting fire extinguishers, changing furnace filters, and fixing just about anything. She has found a mentor in Bradley Stauber, one of the site's plumber/HVAC technicians, from Prince George, who teaches her the proper way to approach any project. Bradley is an example of how employees from outside the north are mentoring and growing the capacity of our northern workforce.

Sarah has received training in a variety of safety, health and environment aspects of the site, including working in confined spaces, hot works and handling hazardous materials. She intends to add fall arrest, Bobcat operation and Genie Lift operations to her list of qualifications at the Snap Lake Mine. All of this training is provided by De Beers, and she recognizes that this position, although entry level, can open new doors for her.



Shape the Future

We will find new ways. We will set demanding targets and take both tough decisions and considered risks to achieve them. We will insist on executional excellence and reward those who deliver



(recruitment continued)

De Beers has placed 13 of the 20 Underground Miners it has committed to for 2010. In 2008, we placed seven Underground Mine Trainees into paid work placements with the Mine Training Society. These were three-month long introductions to underground mining. Many students in work placements are offered a job upon completion. In 2008, five new Underground Mine Trainees were hired.

Ten of our Underground Miners were promoted in 2008, which demonstrates progress in developing our workforce. We also hired our first female underground miner, Sharon Alanak.

Two Aurora College Office Administration students were provided work placements in De Beers' Yellowknife office. We also made several promotions during the year, including four mineral process operator trainees, and two protective services officer trainees.

TRAINING

There are several different types of training available on site. This training is often mandatory, for example, safety courses are necessary for all employees and contractors. Some training is departmentally required and other training is job-specific. A Learning Centre has been established at the site, complete with computers to deliver a variety of courses. Some training materials available are animated to assist people who learn

visually, and some have an audio track.

The Learning Centre is also available for those who would like to participate in general interest learning. This might be in preparation for a formal course, to increase their literacy skills, to gain basic computer skills, or to study for a General Education Diploma. There are workplace instructors ready to assist, and De Beers offers a time-for-time program, which matches an employee's willingness to study. For instance, if an employee commits two hours of their own time to get their GED, they would be given two hours off work to continue that study. The workplace instructors are qualified to teach confined space training, first aid, and fall arrest procedures.

De Beers is working to build stronger relationships with our partners in training, such as Aurora College, the Mine Training Society, and Sandvik. By comparing our curricula with them, we may find ways to streamline our training and identify potential gaps.

APPRENTICESHIP PROGRAM

De Beers has an Apprenticeship Program like none other in the north. Our apprentices continue to draw a regular salary while going to school, with their accommodations, books, and tuition covered so they can focus on learning. An Apprenticeship with De Beers lasts for four years, and is open to northern residents in accordance with our hiring priorities. This underpins our commitment to develop a northern workforce.

Currently, all six apprenticeship positions are filled with apprentices in their second year. Our apprentices follow either the Millwright or Electrical study programs. De Beers has committed to training a total of ten apprentices by 2010. Many of our applicants have requested an Instrumentation Apprenticeship, so we will be looking at building opportunities to meet that need.

To recruit apprentices, De Beers advertises in local papers, and sends recruiting materials to community centres. There is a high level of interest in these positions and there are often many candidates. One of the biggest challenges is that many applicants are not aware of the entry requirements. To qualify for these positions, the applicant must have written and passed the Trades Entrance Exam, and in order to write this exam, they must also have completed high school or received their GED.

Currently, the Trades Entrance Exam is only available in Yellowknife. We have identified this as a potential barrier for individuals residing in other communities,

and would like to see the exam more readily available. This may increase awareness of the requirement, and make it more likely that qualified individuals will apply.

Our Recruiting Officers take the message to young people in the communities, hoping to inspire them to reach higher academic goals so they can fill the professional, skilled, and semi-skilled jobs that are in high demand during the operation phase of Snap Lake.



Profile of an Apprentice



Photo Credit: Jason Ness, NAIT.

Caleb Behrens is one of De Beers' apprentices, currently going to school at the Northern Alberta Institute of Technology (NAIT) in Edmonton. Unlike any other apprenticeship program in Northern Canada, De Beers provides its apprentices with everything they need to focus on their studies. Apprentices continue to receive their regular salary while they are at school, and don't need to worry about accommodations, transportation or tuition.

"I'm pretty happy I got hired on with De Beers," says Caleb. "It was a big move forward."

He applied for the position after passing his Trades Entrance Exam, which is a prerequisite to being qualified for an apprenticeship. It then takes four years of work and school to complete the program. Each year involves about 1800 hours of work on site, and a passing grade of 70% in school. He is now on the verge of completing his first year of the apprenticeship.

De Beers financially supports and closely works with the Northern Student Education Initiative (NSEI). This initiative helps aboriginal students from the NWT and Nunavut when they pursue a post-secondary education through the transition into a southern urban setting. The program helps students connect with available support services in Edmonton, Alberta.

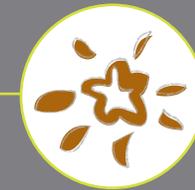
Post secondary students are provided an advisor that helps them locate and use resources on campus and in the community. The advisor also offers social, academic, and personal guidance.

Caleb is now spending most of his time in a classroom setting, but on Monday afternoon and all day Tuesdays, he applies his learning in a hands-on environment in the shop. As he learns, his partner Marcy takes care of his two children. The financial support offered by De Beers to apprentices makes it possible for Caleb's family to live with him while he studies in Edmonton.

Once he's done his apprenticeship, Caleb will receive a Red Seal ticket to become a journeyman millwright. After that, he plans on specializing in something else, continuing with the trades.

Caleb is thankful to his mentors on site, Sada Sangha and Derek Whalen who both live in BC. He has learned a lot during his apprenticeship and is looking forward to continuing his training.

Caleb was born and raised in Behchoko.



Show We Care

The people whose lives we touch, their communities, nations and the environment we share, all matter deeply to us. We will always think through the consequences of what we do so that our contributions to the world is real, lasting and makes us proud

Well-being Initiatives

De Beers recognizes that the health and wellness of individuals and families is fundamental to the social and economic sustainability of surrounding communities.

As planned, a company-wide mandatory training program on alcohol and drug addiction was implemented in 2008, our first year of operations. The program was provided with the support of an outside agency, Shapell-FGI, and all employees were taught about the dangers of these substances. De Beers provides a toll-free employee assistance program through Shapell-FGI, and where employees require, the agency offers private and confidential counseling.

Well-being extends to meals too. In 2008, a review of the meal program for employees was completed. New "heart smart" meal options were introduced and the amount of salt in the diet was also reduced. Employees are encouraged to choose foods that are healthier

for them, that reduce the risk of diabetes and to pay attention to portion sizes recommended by the Canada Food Guide. In 2009, the company will work toward publishing nutritional facts as part of the meal menu information offered to employees.

De Beers has fitness facilities on site. There's space for cardio workouts, a weight room, and a yoga/pilates room. A walking trail is available in the summer. Employees have voluntarily started classes in yoga, pilates and more recently in the martial arts.

De Beers provides communications from Snap Lake Mine to Yellowknife via telephone and Internet. Internet access is available in the accommodations complex on public computers. All costs related to telecommunications access and equipment are covered by De Beers. The public telephones are established with a Yellowknife dial tone, so the user calling outside of



Yellowknife is only responsible for their long distance charges. Long distance calling cards are available for purchase at the Ek'Ati Services Commissary on site.

De Beers also offers a money management course which includes how to budget and how to invest. In 2008, this course was modified to include a new section on pension planning. In the last quarter of 2008, when De Beers introduced a planned temporary shutdown for the mine in 2009, the company included money management planning in the shutdown plans. We provided employees with three options to assist them in managing their income over the duration of the shutdown. Each employee was provided with an opportunity to review their options with the support of our Human Resources staff, in order that they could select the option that was the best for them financially. We also met with our contractors on site to encourage them to provide the same flexible options for their employees who would also be affected by the planned shutdowns in 2009.



Literacy Programs

The Books in Homes program was started in 2003, and is aimed at communities close to De Beers' projects in the Northwest Territories. De Beers works with administrative staff at schools to deliver books to students in Behchoko, Gameti, Whati, Wekweeti, Lutselk'e, Dettah, and N'dilo. The planning begins in early January to introduce the program to principals and teachers.

When the program started, each student was able to order up to three books, which De Beers provided free of charge for children from Kindergarten to Grade 8. The program was expanded in 2006 to include children in preschool up to Grade 12. Staff at the schools and adult students in the Teacher Education Program became eligible as well. In 2007 the program was modified to change the distribution of books from an order system to a system using "book bucks". Each school was provided a "treasure chest" of "book bucks" that students could earn by completing math problems or by participating in literacy activities.

When the books arrive in the communities, usually in April or May, the students can "purchase" up to three books using their De Beers book bucks. We also leave extra book bucks for the schools to issue to students who earn them throughout the year by doing well in school.

The program was originally developed and implemented by the Genesis Group for De Beers before the mine was built. Today, De Beers runs this program itself in partnership with The Yellowknife Book Cellar. The Yellowknife Book Cellar, a partner since 2007, sends staff along on community visits to provide additional information about the books that are being distributed, and to help children pick suitable reading material.

Following the free distribution, The Yellowknife Book Cellar sets up a book fair for the general public. This partnership with De Beers has been particularly useful in encouraging more books by northern authors and in building recommended reading lists.

The Books in Homes program is an example of how De Beers contributes to sustainable business and how partnerships are built at a community level. Our decision to procure books locally and annually provides additional revenue for a local bookstore. We believe that having a local bookstore is important to the community.

The Books in Homes program also provides a good introduction for De Beers staff to local communities. It offers an opportunity for staff to interact with Aboriginal residents in an intimate and real way. Many



of the children have relatives or know someone that works at De Beers, and the visits demonstrate how closely intertwined De Beers is in their lives.

“We’ve had the opportunity to see some children grow up,” says Grace Mackenzie, who has coordinated the program for several years. “They recognize us. When we arrive, they see us as role models. They’re excited to sit with us and read with us.”

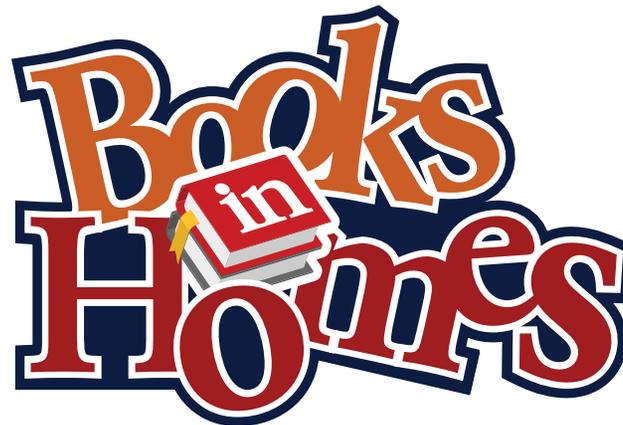
Every year, De Beers also invites a guest along to share in the experience. In 2008, Sheila Rogers from CBC Radio took part in the program, and followed up by sharing her experience on the radio across the country.

De Beers began this program as part of our commitment to contribute to the improvement of literacy and technical skills of the Aboriginal and non-Aboriginal population in the small Aboriginal communities close to the mine. This program helps to promote literacy and

encourages students to upgrade their literacy levels. We have heard many positive comments, and know we are building home libraries book by book.

De Beers has invested \$360,000 into the program from 2003 to the end of 2008. Every year, eight schools are visited and approximately 1,000 students participate. As of the end of 2008, De Beers had delivered over 17,000 books to students in the Northwest Territories.

We believe that literacy is the first step in empowering people to shape their own future. Literacy is a key to ensuring individual opportunities, community development and economic success.





Community Contributions

Our approach to community contributions is similar to our approach to cultural preservation. While monetary sponsorship is a portion of how we give back, we prefer to participate and immerse ourselves in the things we sponsor. This can mean that the true value of our contribution may not be reflected only in numbers. However, we feel that this type of contribution is more valuable both for the recipients and for our employees, who work directly with our community partners.

To decide on how our sponsorship dollars are spent, we review requests for funding approximately every six weeks. Decisions depend on how closely the event fits with our values and commitments, the level of participation that we can expect from our employees, or the community, and an assessment of what is already being funded.

Some of the highlights in our community contributions for the year 2008 include:

- Arctic Winter Games
- The Geoscience Forum
- Bison Apartments Fire Victims
- Books in Homes
- Centre for Northern Families
- Dreamcatcher's Conference for Aboriginal Youth
- Foster Family Coalition
- Hay River Charity Golf Tournament
- Caribou Carnival
- Behchoko Youth Centre
- Lutsel'e Dene First Nation Desneth Che Gathering
- Dene Nation National Assembly
- North Slave Métis Alliance
- NWT Seniors Society
- Folk on the Rocks Festival
- northWords Writers Festival
- Kimberlite Career and Technical Centre
- Mining Week BBQ and Emergency Response Team Competition
- Northern Frontier Visitor Centre Diamond Display
- NWT Council for Persons with Disabilities
- Skills Canada
- Annual Assemblies
- Stanton Hospital
- Tree of Peace Friendship Centre
- Tree of Peace Talent Show
- Northern Student Education Initiative

The majority of social investment dollars spent in 2008 went to Education, Literacy and Training. As we move into the Operations phase of Snap Lake Mine, there is a need to build capacity. This involves the recruitment of trainers, support for our apprentices, and participation with the Mine Training Society and other partners to ensure that northern residents are accessing training. More detail about training investment can be found in the Training section of this report.

In 2008 a total of \$1.9 million was spent on corporate social investment and community capacity building. Of this, over \$1.2 million was spent developing and supporting training positions that will build the capacity of the northern workforce. This marks a sharp increase in investment from previous years, and also shows a change in the focus of our corporate social investment.



Arctic Winter Games



In 2008, the City of Yellowknife hosted the 20th Arctic Winter Games. This event brought together over 2200 athletes to compete in 18 sports, including traditional Arctic and Dene sports. Teams came from Northern Canada (Northwest Territories, Nunavut, Northern Alberta, Northern Quebec and Yukon), Greenland, Russia (regions of Yamal-Nenets), the United States (Alaska) and Scandinavia (Sweden, Norway, Finland) - a real kaleidoscope of circumpolar culture.

De Beers was a major sponsor for the AWG, contributing \$75,000. And our support didn't stop there. Our philosophy in working with the community is that when we work together, everybody benefits. Supporting employee involvement provided an avenue for employees to share their expertise with the community for the community's benefit as well as to build capacity in our people through exciting new experiences.

We are proud of all of our employees who joined our corporate efforts by volunteering and would like to highlight a few personal contributions.

Chantal Lavoie, Senior Vice President – Canadian Operations took the initiative to contact each and every one of De Beers' business partners to promote the significance of these Games for the north. De Beers is proud to say that almost all of our business partners became community partners as sponsors of the 2008 AWG.

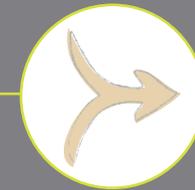
Leading the volunteers in planning and staging this event was Cathie Bolstad, Manager, Public and Corporate Affairs and lifetime northern resident. Cathie championed the Games from 2005 to 2008 and we commend her for such a significant commitment.

Sabet Biscaye, Senior Community Liaison Coordinator volunteered early to assist as a member of the Dene Games committee and later as the chair of the Youth Special Events Committee. She arranged the complex schedule of activities that took place in a large tent in the centre of the City including musical performers, pin trading, medal presentations and traditional Dene Games.

Ken Smith was in the role of Business Development Coordinator during the AWG. Also a member of the Transportation and Logistics Committee, he coordinated the arrival and departure of all 2200 participants, including international charters and local transportation of athletes, cultural delegations, sports and specialty equipment and dog teams. Ken developed local transportation schedules, bag tagging and delivery protocols and more. During the week of the games, he worked very early morning shifts to ensure transportation and logistics went according to plan and did trouble-shooting as required.

The Arctic Winter Games gave our employees a chance to be involved in a significant event, that not only supported the community but also promoted a great learning opportunity for our own people.

By getting involved and sponsoring the Cultural Venue, we enabled presentations of vibrant northern culture and encouraged young northern performing artists in their traditions and community values. By supporting the involvement of our employees, we have contributed significantly to an event that successfully pulled diverse people together as a community to showcase the warmth of northern hospitality and our collective strength.



Pull Together

Being united in purpose and action, we will turn the diversity of our people, skills and experience into an unparalleled source of strength



Northern Spending

In 2008, our commitments to northern purchasing were increased as we moved into the operations phase. Our objective during construction was that 35 to 45 percent of the total annual value of goods and services purchased would be accessed through or from Northwest Territories businesses. During operations and closure, we committed to purchasing 70 percent of goods and services in the north.

We are proud to report that not only has this value been met, but the total value of expenditures in the north since construction has met the 70 percent mark. The Aboriginal portion of our NWT expenditure is at 66 percent for the life of the mine up to the end of 2008. *(See Chart 2)*

As outlined in the Socio-economic Agreement, we have established a manager of business development to act as a liaison between De Beers, the Government of the Northwest Territories, the Aboriginal groups, and NWT businesses. Ken Smith is always willing to make time to help northern businesses with their planning to assist them to be more competitive, and better prepared to take advantage of business opportunities with De Beers.

Northern Aboriginal businesses are given first notice of business opportunities and all northern businesses are given notice before opportunities are considered for

presentation to southern suppliers. This gives northern suppliers an opportunity to ramp up their operations, ask about the job, and generally prepare to successfully bid on the work. Naturally, in the business of mining, our needs can change quickly so there are times when the window for early notice is shorter.

The NWT Business Database is another mechanism that De Beers uses to give preference to northern business. This database enables businesses to prequalify for work, and to receive advance notice on major jobs. The database also helps us find out what products and services are available in the north. We try to issue contracts that match the capacity of Aboriginal businesses and northern businesses wherever feasible.

We provide an annual business opportunities profile that describes our anticipated needs for the year, and invite northern businesses to attend our business opportunities breakfast. This event is a fundraising event for a local charity and a chance to network.

Ultimately, northern businesses can maximize their likelihood of working with De Beers by letting us know what they are able to supply, looking at the profiles we provide to anticipate our upcoming needs, and delivering those goods and services at a competitive price.

Northern businesses are given preference when it comes to procurement, but businesses need to stay competitive. Our objectives are to help build the capacity of northern businesses and to help create lasting and ongoing value. We freely provide advice and help businesses build smart and efficient plans.

Preference is given to those companies that share our values, hiring practices, and vision, and we require our contractors to follow our Northwest Territories Business Policy, which reflects the commitments that we have made in our Socio-economic Agreement.



Chart 1: Northern Spending Data for 2008

| | Expenditure in 2008 | Percentage of Expenditure |
|---------------------------------|---------------------|---------------------------|
| Total Expenditure YTD | \$295,870,967 | |
| NWT Portion of Total Spend | \$218,789,374 | 73.95% of the Total Spend |
| Aboriginal Portion of NWT Spend | \$132,913,417 | 60.75% of the NWT Spend |

Chart 2: Northern Spending Data since Construction

| | Expenditure in 2008 | Percentage of Expenditure |
|---------------------------------|---------------------|---------------------------|
| Total Expenditure YTD | \$1,235,043,689 | |
| NWT Portion of Total Spend | \$861,330,545 | 70% of the Total Spend |
| Aboriginal Portion of NWT Spend | \$571,421,421 | 66% of the NWT Spend |



Our Northern Business Partners



EMCO Frontier Mining has been a northern business for over a decade, and was built to service the local mining industry with consumable industrial supplies. This includes everything from pipes to valves, fitters, and other materials necessary for everyday mining operations. EMCO's workforce is composed completely of northern workers.

When De Beers arrived on the scene, Allen Webb, the Yellowknife Branch Manager for EMCO, remembers being excited at the prospect of a fully underground mine. "This business was built on underground mining. When you're underground, for every meter you drill, you have to bring everything with you including air, water, and electricity."

Two years ago, Ken Smith from De Beers met with Allen to introduce him to Roy Shields, Chief Executive Officer of the Denesuline Corporation. That introduction started a relationship that created a joint venture, Dene-EMCO that is a mutually beneficial relationship for all parties involved.

The dollar value of having a diamond mine in the local economy is noticeable. According to Allen, a single diamond mine contributes about five to ten times more to a supplier like Dene-EMCO than both Giant and Con mine put together. But he also notes diamond mines can bring new challenges, such as the logistics around getting supplies to the mine by ice road.

To help suppliers anticipate upcoming demands, De Beers provides Dene-EMCO, and all our northern suppliers, with advance notice about upcoming needs and demands so that the appropriate inventory can be stocked and so that bids can be submitted competitively.

"I think they've been a great benefit to the north and northern people through their Socio-economic policies," says Roy. "They adhere to the policies, and then some, and they keep a fairly consistent presence in the communities."

Allen echoes the sentiment. "They're a good corporate citizen, and they're a good company to do business with."



Build Trust

We will always listen first, then act with openness, honesty and integrity so that our relationships flourish

2008 Employment Data



De Beers Canada Inc. is committed to employing Northwest Territories (NWT) residents throughout the life of the mine at Snap Lake. Moving from the construction to operations phase, the project will see the share of resident workers grow to 60 percent of the total labour force. Based on the projected labour requirements established in the Project's Environmental Impact Statement, this translates into 300 full-time equivalent jobs. The hiring commitment extends to De Beers' contractors and their sub-contractors.

De Beers Canada Inc. and its contractors were relatively successful in moving resident employees from their construction-related jobs into operational jobs. In absolute terms, the number of NWT residents working at the Snap Lake Mine grew to 274 in 2008—with 47 per cent of these people working in management, professional or skilled positions. This is an improvement over past years, but more work will be needed, not only to increase the number of NWT residents working in these higher paying positions, but also to increase the overall number of northern people working at the mine.

De Beers is confident that over the life of the project, its employment commitments will be realized. However, achieving the 60 percent target is subject to the availability of persons in the priority groups with the required skills, training and experience.¹ Finding the required skill sets within the available labour force in the priority groups has been a challenge for all employers contributing to the mine's operations in 2008. The NWT labour market has remained at or near

its productive capacity throughout the year. A net outmigration of NWT residents further reduced the size of the labour force, keeping the unemployment rate below the national average.² Efforts throughout the year to find and retain labour from within the NWT resulted in only a small number of new resident hires.

Looking forward at 2009, the Canadian labour market will soften as a result of the current recession. It is yet to be seen whether the NWT can attract some of the newly-unemployed labour from southern Canada. De Beers will continue to provide incentives for resident employees and look for new ways to promote the Northwest Territories.

EMPLOYMENT BY HIRING PRIORITY

Table 1 presents employment in person-years³ by hiring priority from 2005 to 2008 for the Snap Lake Mine. A marked difference can be seen in the 2008 data with the Project entering its first year of operations. Employment for that year totalled 728 person-years. This far exceeds the labour estimates presented in the Project's Environmental Impact Statement where average annual employment was expected to equal 500 person-years throughout the mine's operating life. It also marks the fourth consecutive year in which resident employment has grown.

The contribution of Aboriginal residents to the labour requirements of the Project was virtually equal to that of non-Aboriginal residents. Combined, NWT residents provided 274 person-years of employment to the Project. This falls a little short of the original target of

¹ See Section 3.4.2 in the Snap Lake Socio-economic Agreement.

² Statistics Canada, Labour Force Survey, CANSIM Database (accessed March 22, 2009).

³ In 2008, it was expected that over a full year, an employee would work 13 cycles of 14 days with a day equalling a 12 hour shift. This represents 2,184 hours per year or an average of 182 hours per month. Therefore, estimating number of jobs in terms of person years requires summing the total number of hours worked by all employees and dividing that number by 2,184.

300. Despite the difficulties in finding qualified resident workers, De Beers' Canada Inc. remains committed to honouring its promise to northerners and reaching its employment targets.

Additional details on the employment results from 2008 are provided in Table 2. Specifically, these data reveal the employment record of De Beers and its contractors with respect to hiring priority. Employment equalled 729 people on a full-time equivalent basis for the year. From this total, 358 were employees of De Beers of which 140 were residents of the NWT. De Beers' contractors employed a similar number of workers, both in terms of total hires (370) and NWT residents (134). The table also highlights the Project's dependence on non-NWT residents for its operational labour.

The total Aboriginal contribution to the Project's labour force equalled 24 percent, of which 19 percent represent a First Nation or Aboriginal group from within the NWT⁴ Non-NWT residents represented 62 percent of the workforce during 2008.

⁴ The Employment Statistical Information (ESI) Form conducted for the Snap Lake Mine results in data which require some explanation and interpretation. Aboriginal employees can record their status in one of three categories within the survey: Impact Benefit Agreement (IBA) Group, NWT Aboriginal or Other Aboriginal. De Beers assumes that an Aboriginal person who is a member of the North Slave Métis Alliance, Yellowknives Dene First Nation, Lutselk'e and Kache Dene First Nation or Tlicho would identify themselves as representatives of their IBA Group, regardless of where they live. "NWT Aboriginal" is defined in the survey as Any Indian, Inuit or Métis individual who originated in the NWT or is a descendant of an Aboriginal person originating in the NWT. De Beers assumes that this will capture every employee who represents any other Aboriginal community in the NWT regardless of their residency. Finally, De Beers assumes that "Other Aboriginal" captures all other Aboriginal people. With every ESI form, a number of individuals choose not to self-identify themselves by their heritage. In 2008, 5.4 per cent of all employees made this choice. For the purpose of reporting, De Beers Canada Inc. assumes these individuals represent "Other Non-NWT Residents".

Table 1: Employment by Hiring Priority, to the end of 2008

| | 2005 | 2006 | 2007 | 2008 | Total | Average |
|-------------------------------|--------------------|-------------|--------------|-------------|--------------|-------------|
| | (person-years) | | | | | |
| NWT Aboriginal | 39 | 93 | 126 | 139 | 397 | 99 |
| Other NWT residents | 56 | 130 | 143 | 135 | 464 | 116 |
| Subtotal NWT Residents | 95 | 223 | 269 | 274 | 861 | 215 |
| Non-NWT | 137 | 614 | 875 | 454 | 2,080 | 520 |
| Grand Total | 231 | 838 | 1,144 | 728 | 2,941 | 738 |
| | (percent of total) | | | | | |
| NWT Aboriginal | 17% | 11% | 11% | 19% | 14% | 13% |
| Other NWT residents | 24% | 16% | 13% | 19% | 16% | 16% |
| Subtotal NWT Residents | 41% | 27% | 24% | 38% | 29% | 29% |
| Non-NWT | 59% | 73% | 76% | 62% | 71% | 70% |
| Grand Total | 100% | 100% | 100% | 100% | 100% | 100% |

Table 2: Employment by Hiring Priority, 2008

| | De Beers | Contractor | Total |
|-----------------------------------|--------------------|-------------|-------------|
| | (person-years) | | |
| NWT Aboriginal | 52 | 87 | 139 |
| Other NWT residents | 88 | 47 | 135 |
| Subtotal NWT Residents | 140 | 134 | 274 |
| Non-NWT Aboriginal | 14 | 25 | 39 |
| Other Non-NWT Residents | 204 | 212 | 416 |
| Subtotal Non-NWT Residents | 218 | 237 | 454 |
| Grand Total | 358 | 370 | 729 |
| | (percent of total) | | |
| NWT Aboriginal | 14% | 23% | 19% |
| Other NWT residents | 25% | 13% | 19% |
| Subtotal NWT Residents | 39% | 36% | 38% |
| Non-NWT Aboriginal | 4% | 7% | 5% |
| Other Non-NWT Residents | 57% | 57% | 57% |
| Subtotal NWT Residents | 61% | 64% | 62% |
| Grand Total | 100% | 100% | 100% |

Note: Those that did not self identify in the survey are recorded as non-Aboriginal

EMPLOYMENT BY HIRING PRIORITY AND JOB CLASSIFICATION

Table 3 presents employment results from 2008 by hiring priority and job classification. The highest paying positions within the Project are the jobs classified as management, professional and skilled. Ten of the 24 management positions and 14 of the 33 professional positions were filled by NWT residents—43 percent of the total in both cases. This is an improvement over last year. The percentage of NWT residents employed in skilled positions was not as high at 27 percent. While more NWT residents were working in skilled positions than any other, increasing the number and percentage of resident managers, professionals and skilled employees remains an important goal for the Project’s employers.

NWT residents as a whole made up 91 percent of the 50 unskilled jobs and 44 percent of the 226 semi-skilled jobs. These are similar results to what was achieved during the construction phase.

Snap Lake: Employment by Job Classification and Hiring Priority

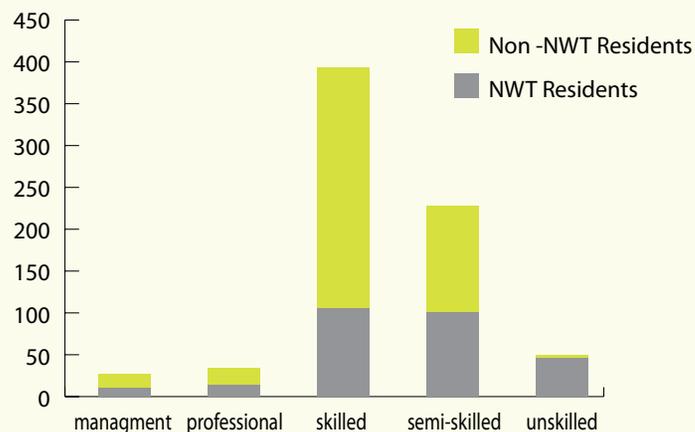


Table 3: Employment by Hiring Priority and Job Classification, 2008

| | NWT Aboriginal | Other NWT Residents | Subtotal NWT Residents | Non-NWT Aboriginal | Total Non-NWT | Grand Total |
|--|----------------|---------------------|------------------------|--------------------|---------------|-------------|
| (person-years) | | | | | | |
| Management | 1 | 9 | 10 | 1 | 14 | 24 |
| Professional | 2 | 12 | 14 | 0 | 19 | 33 |
| Skilled | 48 | 57 | 105 | 25 | 291 | 396 |
| Subtotal | 51 | 78 | 129 | 27 | 323 | 452 |
| Semi-Skilled | 57 | 42 | 99 | 27 | 127 | 226 |
| Unskilled | 30 | 16 | 46 | 9 | 5 | 50 |
| Subtotal | 87 | 58 | 145 | 36 | 131 | 276 |
| Total | 138 | 136 | 274 | 63 | 454 | 729 |
| Percent of total by job classification | | | | | | |
| Management | 3% | 39% | 43% | 4% | 57% | 100% |
| Professional | 6% | 37% | 43% | 0% | 57% | 100% |
| Skilled | 12% | 14% | 27% | 6% | 73% | 100% |
| Subtotal | 11% | 17% | 29% | 6% | 71% | 100% |
| Semi-Skilled | 25% | 19% | 44% | 12% | 56% | 100% |
| Unskilled | 59% | 32% | 91% | 18% | 9% | 100% |
| Subtotal | 31% | 21% | 52% | 13% | 48% | 100% |
| Total | 19% | 19% | 38% | 9% | 62% | 100% |
| Percent of total by hiring priority | | | | | | |
| Management | 1% | 7% | 4% | 1% | 3% | 3% |
| Professional | 2% | 9% | 5% | 0% | 4% | 5% |
| Skilled | 35% | 42% | 38% | 41% | 64% | 54% |
| Subtotal | 37% | 57% | 47% | 42% | 71% | 62% |
| Semi-Skilled | 42% | 31% | 36% | 43% | 28% | 31% |
| Unskilled | 21% | 12% | 17% | 15% | 1% | 7% |
| Subtotal | 63% | 43% | 53% | 58% | 29% | 38% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

EMPLOYMENT BY COMMUNITY

The employment data by NWT community is presented in Table 4. Unlike most of the employment data discussed in this chapter, the community data is recorded as the number of people who held positions throughout the year, regardless of how long they were employed. De Beers continued to focus its hiring according to the priorities established in the Snap Lake Socio-economic Agreement.⁵ The order of hiring priority is as follows:

1. Members of Aboriginal Authorities, including
 - a. Lutselk'e and Kache Dene First Nation;
 - b. North Slave Métis Alliance;
 - c. Tlicho; and,
 - d. Yellowknives Dene First Nation.
2. Aboriginal people residing in the NWT;
3. NWT residents who have been continuously resident in the NWT for at least six months;
4. All others residing in or relocating to the NWT; and,
5. Others (non-NWT residents).

Table 4: Average Monthly Employment by NWT Community

| | Number of Employees | % |
|------------------|---------------------|-------------|
| Fort Smith | 14 | 4% |
| Hay River | 37 | 10% |
| Lutselk'e | 4 | 1% |
| Behchoko | 48 | 13% |
| Gameti | 3 | 1% |
| Wekweeti | 1 | 0% |
| Wha Ti | 7 | 2% |
| Yellowknife | 245 | 65% |
| Other NWT | 16 | 4% |
| Total NWT | 375 | 100% |

For the first year of operations, 15 NWT communities were represented in the workforce at Snap Lake. Most of these workers resided in Yellowknife, accounting for 65 percent of the 375 resident workers. The community of Behchoko sent 48 people to Snap Lake to work for De Beers or its contractors. Hay River was also well represented with 37 people working for the Project throughout the year. The communities presented in the table as other include Fort Resolution, Fort Providence, Fort Simpson, Tulita, Aklavik, Deline and Inuvik.

NEW HIRES BY RESIDENCY

Table 5 presents the number of new hires by residency separated between employees of De Beers and its contractors. The data in this table is not in person-years, but rather number of individuals hired. During 2008, De Beers and its contractors hired 618 workers. The high number relative to the Project's 729 person-years of employment is the result of the transition from construction to operations. De Beers was successful in moving its construction workforce into the operations team. Its total number of new hires equalled 166 for the year. The contractors, on the other hand, did a lot of hiring in 2008; 452 new people were brought on by contractors throughout the year. This figure is higher than what one might typically see, but is due in part to the fact that some contractors were new, having joined the Project specifically for the operations phase. Apart from De Beers' 166 new hires, the contractors adding the greatest number of new people included Eka'ti Services Ltd. (132), Tli Cho Logistics Inc. (107), Procon (33), Sandvik (32) and NCV Industrial (31). In terms of residency, 366 of the new hires do not reside in the NWT. Of the 252 new hires who are NWT residents, 59 percent have lived in the region for more than 6 months.

Table 5: New Hires by Residency

| | > 6 Months | < 6 Months | NWT | Non-NWT | Total |
|----------------------|---------------------------|------------|------------|------------|-------------|
| | (number of new employees) | | | | |
| De Beers Canada Inc. | 43 | 12 | 55 | 111 | 166 |
| Contractors | 105 | 92 | 197 | 255 | 452 |
| Grand Total | 148 | 104 | 252 | 366 | 618 |
| | (percent of total) | | | | |
| De Beers Canada Inc. | 26% | 7% | 33% | 67% | 100% |
| Contractors | 23% | 20% | 44% | 56% | 100% |
| Grand Total | 24% | 17% | 41% | 59% | 100% |

⁵ See Section 3.2 in the Snap Lake Socio-economic Agreement.

EMPLOYMENT BY GENDER AND JOB CLASSIFICATION

De Beers Canada Inc. supports and encourages the participation of women in all aspects of work related to the Snap Lake Project. De Beers encourages similar commitments from its contractors.⁶ Table 6 and Table 7 provide evidence of De Beers' record in this area. The overall workforce is dominated by men at 88 percent. The percentage of women working for the Project grew in 2008, but in absolute terms, was down by 33 person-years of employment. The sharpest decline came in the skilled classification, where women contributed 53 person-years of employment in the final year of construction and 27 person-years of employment during the first year of operations. Women's largest contribution (29 person-years) came in jobs classified as semi-skilled, while the largest relative contribution was in unskilled jobs (42 percent).

⁶ See Section 4.10 in the Snap Lake Socio-economic Agreement.

Employment by Job Classification for Women

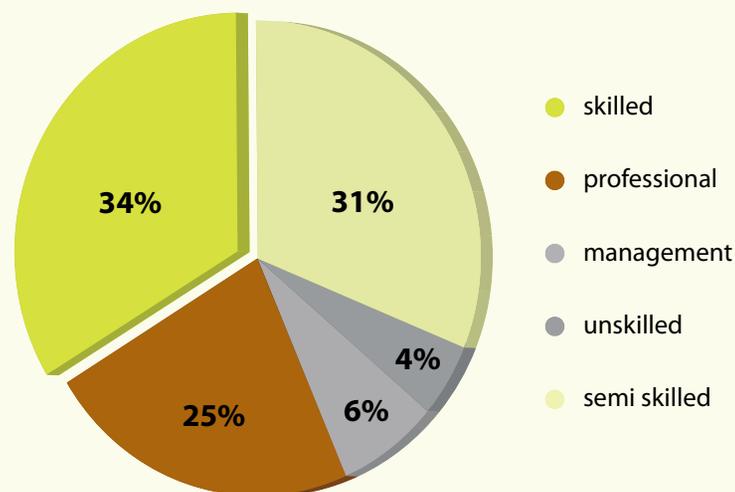


Table 6: Employment by Job Classification and Gender

| | Men | | Women | | Total | |
|--------------------|----------------|------------|----------------|------------|----------------|-------------|
| | (person-years) | (percent) | (person-years) | (percent) | (person-years) | (percent) |
| Management | 18 | 78% | 5 | 22% | 24 | 100% |
| Professional | 30 | 89% | 4 | 11% | 33 | 100% |
| Skilled | 368 | 93% | 27 | 7% | 395 | 100% |
| Subtotal | 416 | 92% | 36 | 8% | 452 | 100% |
| Semi-Skilled | 196 | 87% | 29 | 13% | 225 | 100% |
| Unskilled | 29 | 58% | 21 | 42% | 50 | 100% |
| Subtotal | 225 | 82% | 51 | 18% | 275 | 100% |
| Grand Total | 641 | 88% | 86 | 12% | 727 | 100% |

Table 7: Employment by Job Classification for Women

| | (person-years) | (percent) |
|--------------------|----------------|-------------|
| Management | 5 | 6% |
| Professional | 4 | 4% |
| Skilled | 27 | 31% |
| Subtotal | 36 | 41% |
| Semi-Skilled | 29 | 34% |
| Unskilled | 21 | 25% |
| Subtotal | 51 | 59% |
| Grand Total | 86 | 100% |



This publication is produced by De Beers Canada Inc. 2008. For more information please contact Cathie Bolstad at Cathie.Bolstad@ca.debeersgroup.com or visit <http://www.debeerscanada.com>.
