

Diavik Diamond Mine

2009 Socio-Economic Monitoring Agreement Report

26 January 2010

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# Introduction

The Diavik Diamond Mine, located 300 kilometres northeast of Yellowknife, Northwest Territories, Canada, is an unincorporated joint venture between Diavik Diamond Mines Inc. (60%) and Harry Winston Diamond Limited Partnership (40%). Both companies are headquartered in Yellowknife, Canada. Diavik Diamond Mines Inc. (DDMI) is a wholly owned subsidiary of Rio Tinto plc of London, England, and Harry Winston Diamond Limited Partnership is controlled by Harry Winston Diamond Corporation of Toronto, Canada. Diavik Diamond Mines Inc. is the operator of the mine. Each joint venture participant markets independently its respective share of diamonds mined.

Early in the development, Diavik committed to health and safety and environmental protection as our core values. For socio-economics, we committed to northern training, employment, and business opportunities. To provide a formal mechanism to ensure our mitigative measures and commitments were appropriately implemented and monitored, the environmental assessment of the Diavik Diamond Mine included a requirement for a Socio-Economic Monitoring Agreement (SEMA).

On October 2, 1999, Diavik entered into a Socio-Economic Monitoring Agreement with the Government of the Northwest Territories, later ratified by the Tlicho Government, the Yellowknives Dene First Nation, the Lutsel K'e Dene First Nation, the Kitikmeot Inuit Association, and the North Slave Metis Alliance. The agreement specified that Diavik Diamond Mines Inc. report twice a year on issues relating to employment and spending in the North during the construction and operation of the Diavik Diamond Mine. The annual and mid year reports are provided to the Diavik Communities Advisory Board (DCAB), which was created under the SEMA, and to the Government of the Northwest Territories. Our representatives on the DCAB include senior management, specifically our president and our vice president, operations.

In January 2003, construction ended and commercial production of rough diamonds commenced. The transition from construction to operations in 2003 was reported in a single 2003 SEMA report. Reports have been produced semi-annually since then.

This report is for 1 January 2009 to 31 December 2009 and is in five sections covering employment data, business benefits, capital and operating summaries, workforce development, and cultural and community well-being initiatives.

The Diavik Socio-Economic Monitoring Agreement along with this and previous SEMA reports can be found on our website at [www.diavik.ca](http://www.diavik.ca).

## Background

The Diavik Diamond Mine is located on a 20 square kilometre island informally called East Island in Lac de Gras, 300 kilometres by air northeast of Yellowknife, Northwest Territories. In 2009, the Diavik mine plan included three diamond bearing ore bodies, or kimberlite pipes, named A154 North, A154 South, and A418. All three pipes were located beneath the waters of Lac de Gras, just offshore of East Island. For open pit mining, rockfill structures known as dikes were engineered and constructed to allow the overlying waters to be removed temporarily. In 2002, Diavik completed the first dike around the A154 North and A154 South pipes to allow diamond mining to begin in 2003.

In 2007, Diavik completed construction of the second dike, called A418 after the name of the pipe that it encircles. By year-end 2008 production from the A418 pipe was well underway. During 2009, mining in the A154 and A418 open pits continued.

All of the mine's physical plant is confined to East Island and includes an ore processing plant, operations and construction workforce accommodations and recreational facilities, maintenance shop, fuel storage tanks, heating plant, sewage treatment plant, and powerhouse. Elevated 'arctic corridors' carry services and provide enclosed walkways connecting buildings. In addition, there are potable and wastewater treatment plants, and explosives manufacturing facilities.

Diamonds are separated from the bulk of the kimberlite ore using non-chemical, gravity-based methods to create a diamond-bearing heavy mineral concentrate. Separation of the diamonds from this concentrate is made possible using diamonds' unique quality of fluorescence under X-rays, allowing the glowing diamond grains to be separated from the non-diamond minerals. The waste minerals in the remaining processed kimberlite are placed in the Processed Kimberlite Containment area, a permanent, engineered containment constructed in the centre of the island. Diesel fuel provides the mine's energy needs, and is used for power generation, mobile equipment, and heating. Due to short, seasonal access to the site over a winter ice road, we must store an entire year's worth of fuel, prill for explosives, and other bulk supplies. Also because of the remote location, Diavik has a 1,600 metre airstrip for passenger and transport aircraft up to and including C130 Hercules and Boeing 737 jets.

At Diavik our future is underground mining. In November 2007, Rio Tinto and Harry Winston, the parent companies of the joint venture partners, approved the investment of US\$563 million bringing underground mine investment to US\$787 million. Under the current life of mine plan, diamond production from underground is scheduled to begin in first quarter 2010 and continue beyond 2020. Open pit mining is expected to cease in 2012, when Diavik would become an all-underground mine. Diavik's total mine life remains within the 16 to 22 years projected in the original 1999 feasibility study.

At year-end 2009, underground mine preproduction tunnels, required for the start of underground production, were virtually complete. Construction of surface works to support underground mining was nearing completion. These facilities include new crushing and paste backfill plants, expansions to the water treatment and power generating plants, and ancillary facilities including fuel storage, and additional accommodations.

## 2009 reporting period highlights

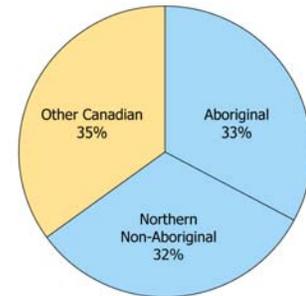
- Through 31 December 09, our lost time injury frequency rate was 0.16 while our all injury frequency rate, which includes lost time injuries and medical treatments, was 0.72. During 2009, we experienced two lost time injuries and seven medical treatments. These are the best safety rates we have achieved since production started in 2003.
- Diavik continued its community commitment through its participation in construction of the new territorial dementia facility in Yellowknife. The facility is scheduled to open in early 2010.
- In other community initiatives, Diavik staff volunteered at several community events including the Polish the Gem spring cleanup, Young Angler catch and release fishing tournament, the North Slave Metis Alliance fish fry on Aboriginal Day, the dementia facility fundraiser recognition event, and the Canada Day and Santa Claus parades.
- Diavik's mine rescue team, comprised of members of our Diavik mine site emergency response team, won the Northwest Territories annual mine rescue competition and the North American Western Regional competition.
- Operations employment averaged 810 workers. Northern and Aboriginal employment, averaged 528 (65%) and 269 (33%) respectively.
- At year-end, 18 trades apprentices were working at Diavik.
- During 2009, one Diavik apprentice completed apprenticeship training achieving journey person designation. Since 2003, 18 people have successfully completed their apprenticeships at Diavik.
- Northern business spending of \$288.1 million (67% of annual total expenditures).
- Cumulative spending since 2000 reached \$4.5 billion, of which \$3.3 billion (72%) was on northern firms. By year-end 2009, Aboriginal business spending reached \$1.9 billion (42% of the overall spending since construction began).
- In March, Diavik completed a successful ice road program shipping 2,779 loads (91,362 tonnes) to the mine site. Combined, all ice road users shipped 5,377 loads (173,195 tonnes).
- In March, to align our business with challenging global economic conditions, we announced actions to reduce our diamond production. These actions included summer and winter production shutdowns. However, market conditions improved sufficiently for us to have cancelled the winter production shutdown.
- Diavik expanded its northern workforce community pick up points to include Fort Simpson and, under a pilot project, discontinued Edmonton as a pick up point for new hires.
- For the year, rough diamond production was 5.6 million carats.

## Operations highlights

### 2009 operations employment by priority group

- Operations workforce averaged 810 workers
- Northern employment averaged 528 (65%)
- Aboriginal employment averaged 269 (33%)

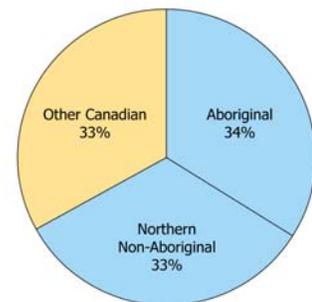
Operations Employment 2009



### 2009 business spending

- \$431.8 million on capital and operating expenses
- \$288.1 million (67%) on northern business
- \$145.3 million (34%) on northern Aboriginal business
- \$142.8 million (33%) on northern non-Aboriginal business

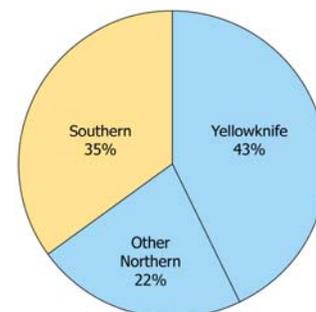
Total Spending 2009



### 2009 operations employment by community

- An average of 524 workers (65%) resided in the North
- 349 workers (43%) resided in Yellowknife
- 175 workers (22%) resided in various other northern communities

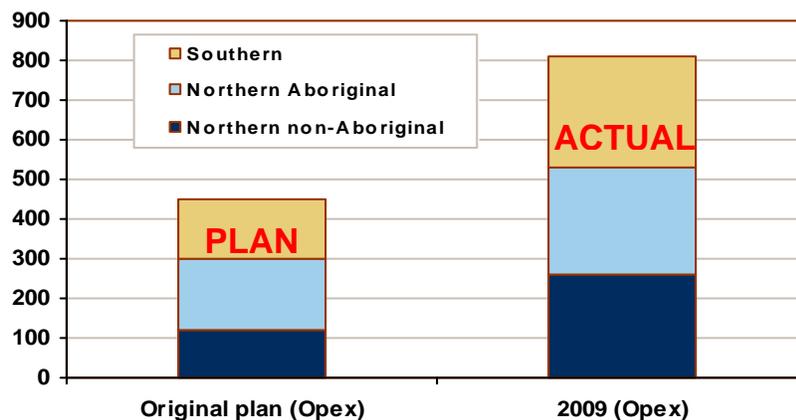
Employment by Community 2009



## Employment exceeds plan

During the mine's original approval process, Diavik committed to hire as a priority, northern residents and Aboriginal people born in the Northwest Territories or West Kitikmeot region of Nunavut, and their descendants. Diavik projected that the workforce could be as high as 450 people. From socio-economic studies of the northern workforce, Diavik expected 300 would be northern and 180 Aboriginal. In 2009, Diavik's operations workforce averaged 810 people. Northern Aboriginal and non-Aboriginal workers, averaging 528, exceeded the entire originally planned workforce of 450. Aboriginal employment, averaging 269, also exceeded original projections of 180.

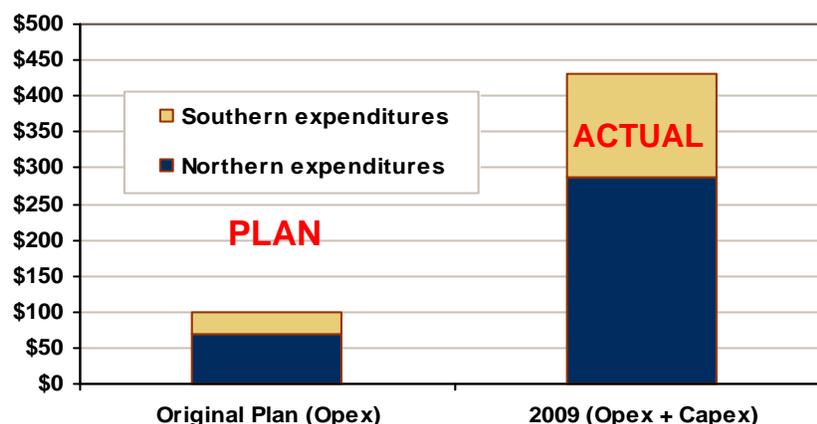
**Diavik Operations Employment: Plan vs Actual**



## Business spending also exceeds plan

During the mine's original approval process, Diavik committed to spend approximately \$100 million annually to support mining operations. During 2009, a period in which underground mine construction continued, Diavik spent \$431.8 million for combined operating and new capital expenses. Of this, \$288.1 million, or 67 per cent, was on northern companies.

**Diavik Annual Expenditure (\$millions): Plan vs Actual**



## Section A: northern employment data

### Northern employment for operations

Diavik's operations employment objective<sup>1</sup> is 66 per cent northern with Aboriginal employees comprising 40 per cent. Table 1 provides the average number of Diavik operations workers<sup>2</sup> and the per cent of total by priority group<sup>3</sup> for the operation of the Diavik Diamond Mine for 2009. In 2009, Diavik's operations workforce averaged 810. Northern employment averaged 528. Aboriginal employment averaged 269.

**Table 1: Diavik Diamond Mine Operations Phase  
Total Employees by Priority Group**

	Jan - Mar	Apr - Jne	Jul - Sep	Oct - Dec	2009
			(Number)		
<b>Total</b>	<b>825</b>	<b>800</b>	<b>799</b>	<b>817</b>	<b>810</b>
Aboriginal	280	266	263	267	269
Non-Aboriginal	259	254	258	264	259
<b>Subtotal Northern</b>	<b>539</b>	<b>520</b>	<b>521</b>	<b>531</b>	<b>528</b>
Other	286	280	278	285	282
			(Per cent of Total)		
<b>Total</b>	100%	100%	100%	100%	100%
Aboriginal	34%	33%	33%	33%	33%
Non-Aboriginal	31%	32%	32%	32%	32%
<b>Subtotal Northern</b>	<b>65%</b>	<b>65%</b>	<b>65%</b>	<b>65%</b>	<b>65%</b>
Other	35%	35%	35%	35%	35%

<sup>1</sup> SEMA Appendix A, part 3(b). The objectives are subject to applicable laws and regulations and the availability of persons in the priority groups with the required skills, training, and experience.

<sup>2</sup> The average number of operations workers (DDMI and its contractor employees) for each quarter is calculated by summing an average of the months. The annual total is an average of the quarters. This assumes that each employee was employed full time for each month the employee was reported. Therefore the average annual number of employees equals person-years of employment. Due to averaging, some numbers may not add.

<sup>3</sup> The definitions of priority groups are contained in Appendix One and the reporting requirements are listed in Appendix Two of the Diavik Socio-Economic Monitoring Agreement, available at [www.diavik.ca](http://www.diavik.ca).

## Operating employment by community

Table 2 provides the Diavik Diamond Mine operations workforce by residence for 2009. On average there were 810 Diavik workers during the period of which 524 (65 per cent) lived in Northwest Territories or West Kitikmeot communities. As part of our continued commitment to northern residency, Diavik undertook various initiatives in 2009 to increase northern residency including:

- Participating in the GNWT's northern mines employees survey which focused on residency
- Reviewing our flight arrangements
- Promoting common training and alignment with national training standards
- Northern pickup points
- Adjusting our letters of offer to make north/south benefits more explicit (highlighting substantial remuneration difference)

**Table 2: Diavik Diamond Mine Operations Phase  
Total Employees Residence**

	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	2009	2009 (Per cent)
<b>Total</b>	<b>825</b>	<b>800</b>	<b>799</b>	<b>817</b>	<b>810</b>	100%
Behchoko	42	39	42	41	41	5%
Deline	2	2	2	2	2	0%
Dettah	1	1	1	1	1	0%
Enterprise	1	1	1	1	1	2%
Fort Good Hope	1	1	1	1	1	0%
Fort Providence	2	2	2	2	2	0%
Fort Resolution	12	12	12	13	12	1%
Fort Simpson	4	4	4	4	4	1%
Fort Smith	25	25	23	23	24	3%
Gameti	4	4	4	4	4	0%
Hay River	60	57	57	58	58	7%
Inuvik	1	1	1	1	1	0%
Lutsel K'e	2	2	2	2	2	0%
N'dilo	0	0	1	1	1	0%
Norman Wells	1	1	1	1	1	0%
Wekweti	2	1	2	2	2	0%
Wha Ti	12	11	11	11	11	1%
Yellowknife	355	344	343	352	349	43%
Kugluktuk	9	9	8	7	8	1%
<b>Subtotal Northern</b>	<b>534</b>	<b>516</b>	<b>517</b>	<b>528</b>	<b>524</b>	<b>65%</b>
Alberta	162	155	149	153	155	19%
Other Canada	128	128	132	135	131	16%
Southern Subtotal	290	283	282	288	286	35%

## New hires by priority group for operations

Table 3 provides the number of new hires by priority group for Diavik Diamond Mine operations.

**Table 3: Diavik Diamond Mine Operations Phase  
New Hires by Priority Group**

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2009
<b>Total</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>12</b>
Northern Aboriginal	0	1	0	2	3
Northerner (+6 mos)	0	0	0	3	4
Northerner (-6 mos)	1	0	0	0	2
<b>Subtotal Northern</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>8</b>
Other Canadian	2	1	0	1	4
	(Per cent of Total)				
<b>Total</b>	100%	100%	100%	100%	100%
Northern Aboriginal	0%	40%	0%	17%	26%
Northerner (+6 mos)	11%	0%	33%	48%	33%
Northerner (-6 mos)	11%	7%	0%	17%	7%
<b>Subtotal Northern</b>	<b>22%</b>	<b>47%</b>	<b>33%</b>	<b>81%</b>	<b>67%</b>
Other Canadian	44%	20%	33%	19%	33%

## Employment by job category and priority group for operations

Table 4 provides the Diavik Diamond Mine operations workforce by job category and priority group in 2009, during which Diavik's total operations workforce averaged 810 people. The total was comprised of 20 management, 101 professional, 269 skilled, 323 semi-skilled, and 102 entry level workers.

- Management is defined as a combination of significant work experience at a senior level and a university degree, masters, or doctorate.
- Professional is defined as having a university degree and related work experience.
- Skilled is defined as college diploma or technical school certification with related work experience.
- Semi-skilled is defined as having a high school graduation or General Equivalency Diploma (GED) along with a minimum of three years work experience in a particular field.
- Entry level is defined as having high school graduation or GED along with some work experience.

Diavik is undertaking several initiatives to increase local employment including, providing housing allowances, staged removal of the two weeks on/two weeks off rotation for certain roles, having all management reside locally, reviewing pick up points for northern-based workers, re-advertising roles where low or no interest was shown, information visits to communities, and local career fair attendance.

**Table 4: Total Employees by Job Category and Priority Group**

		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2009
	<b>Grand Total</b>	<b>825</b>	<b>800</b>	<b>799</b>	<b>817</b>	<b>810</b>
<b>Management</b>	<b>Total</b>	<b>19</b>	<b>18</b>	<b>20</b>	<b>21</b>	<b>20</b>
	Aboriginal	0	0	0	0	0 (0%)
	Non-Aboriginal	19	18	20	21	20 (100%)
	<b>Subtotal Northern</b>	<b>19</b>	<b>18</b>	<b>20</b>	<b>21</b>	<b>20 (100%)</b>
	Other	0	0	0	0	0 (0%)
<b>Professional</b>	<b>Total</b>	<b>109</b>	<b>102</b>	<b>99</b>	<b>95</b>	<b>101</b>
	Aboriginal	10	8	7	6	8 (8%)
	Non-Aboriginal	54	54	54	54	54 (54%)
	<b>Subtotal Northern</b>	<b>64</b>	<b>62</b>	<b>61</b>	<b>61</b>	<b>62 (61%)</b>
	Other	45	40	38	34	39 (39%)
<b>Skilled</b>	<b>Total</b>	<b>270</b>	<b>266</b>	<b>266</b>	<b>274</b>	<b>269</b>
	Aboriginal	46	44	42	45	44 (16%)
	Non-Aboriginal	63	61	<b>63</b>	64	63 (23%)
	<b>Subtotal Northern</b>	<b>109</b>	<b>106</b>	<b>106</b>	109	<b>107 (40%)</b>
	Other	161	161	160	165	162 (60%)
<b>Semi-skilled</b>	<b>Total</b>	<b>343</b>	<b>353</b>	<b>301</b>	<b>295</b>	<b>323</b>
	Aboriginal	186	177	158	153	169 (53%)
	Non-Aboriginal	94	93	85	86	89 (28%)
	<b>Subtotal Northern</b>	<b>280</b>	<b>270</b>	<b>243</b>	239	<b>258 (80%)</b>
	Other	63	63	58	56	60 (19%)
<b>Entry level</b>	<b>Total</b>	<b>84</b>	<b>80</b>	<b>114</b>	<b>132</b>	<b>102</b>
	Aboriginal	39	37	56	63	49 (47%)
	Non-Aboriginal	29	28	35	38	33 (33%)
	<b>Subtotal Northern</b>	<b>67</b>	<b>65</b>	<b>91</b>	101	<b>81 (80%)</b>
	Other	16	14	23	31	21 (20%)

## Employment by contractor and priority group for operations

Table 5 provides employment by company and priority group for 2009. DDMI employed 433 people, with 260 people (60%) northern. I&D Management employed 161 people, with 137 people (85%) northern. Tli Cho Logistics employed 106 people, with 60 people (56%) northern. Ek'ati Services employed 71 people, with 55 people (77%) northern. Denesoline Western employed seven people, with three people (44%) northern. All remaining operations contractors employed 32 people, with 14 people (41%) northern.

<b>Table 5: Diavik Diamond Mine Operations Phase</b>					
<b>Employee by Priority Group by Contracting Company</b>					
	Jan - Mar	Apr - Jne	Jul - Sep (Number)	Oct - Dec	2009
<b>DDMI Total</b>	<b>438</b>	<b>426</b>	<b>429</b>	<b>439</b>	<b>433</b>
Aboriginal	98	93	90	90	93 (21%)
Non-Aboriginal	164	162	168	174	167 (39%)
<b>Subtotal Northern</b>	<b>263</b>	<b>255</b>	<b>258</b>	<b>264</b>	<b>260 (60%)</b>
Other	175	171	171	175	173 (40%)
<b>I &amp; D Management Total</b>	<b>183</b>	<b>176</b>	<b>142</b>	<b>141</b>	<b>161</b>
Aboriginal	121	116	96	95	107 (67%)
Non-Aboriginal	33	33	27	27	30 (19%)
<b>Subtotal Northern</b>	<b>154</b>	<b>149</b>	<b>123</b>	<b>122</b>	<b>137 (85%)</b>
Other	29	28	19	19	24 (15%)
<b>Tli Cho Logistics Total</b>	<b>99</b>	<b>102</b>	<b>113</b>	<b>111</b>	<b>106</b>
Aboriginal	33	31	39	38	35 (33%)
Non-Aboriginal	23	25	26	25	25 (34%)
<b>Subtotal Northern</b>	<b>55</b>	<b>56</b>	<b>65</b>	<b>63</b>	<b>60 (56%)</b>
Other	44	46	48	47	46 (44%)
<b>Ekati Services Total</b>	<b>55</b>	<b>53</b>	<b>81</b>	<b>96</b>	<b>71</b>
Aboriginal	20	19	32	39	28 (38%)
Non-Aboriginal	24	23	29	32	27 (39%)
<b>Subtotal Northern</b>	<b>44</b>	<b>42</b>	<b>61</b>	<b>71</b>	<b>55 (77%)</b>
Other	11	11	20	25	17 (23%)
<b>DWE Total</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>7</b>
Aboriginal	2	2	1	1	1 (22%)
Non-Aboriginal	2	2	1	1	1 (22%)
<b>Subtotal Northern</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3 (44%)</b>
Other	7	5	2	2	4 (56%)
<b>Other Total</b>	<b>38</b>	<b>33</b>	<b>30</b>	<b>26</b>	<b>32</b>
Aboriginal	6	6	5	4	5 (16%)
Non-Aboriginal	13	9	7	5	9 (25%)
<b>Subtotal Northern</b>	<b>19</b>	<b>15</b>	<b>12</b>	<b>9</b>	<b>14 (41%)</b>
Other	20	19	18	17	18 (59%)
<b>Overall Total</b>	<b>825</b>	<b>800</b>	<b>799</b>	<b>817</b>	<b>810</b>
Aboriginal	280	266	263	267	269 (33%)
Non-Aboriginal	259	254	258	264	259 (32%)
<b>Subtotal Northern</b>	<b>539</b>	<b>520</b>	<b>521</b>	<b>531</b>	<b>528 (65%)</b>
Other	286	280	278	285	282 (35%)

## Northern outsourcing

To assist in raising northern business capacity, Diavik has outsourced approximately half its operations workforce to contractors. Virtually all are northern businesses and the majority are Aboriginal. The remainder are employed by Diavik Diamond Mines Inc. Diavik believes through outsourcing contracts, northern firms can become better positioned to service other resource-based projects and will outgrow reliance on Diavik. This approach also has the potential to create additional new career opportunities for northerners and assists Diavik in meeting commitments. In addition to outsourced operations contractors, Diavik also utilizes the services of many other northern and Aboriginal firms. For a more comprehensive list of companies supporting Diavik, see Table 8 in Section B.

## Northern employment for capital projects

Table 6 provides the average number of Diavik employees and the per cent of total by priority group for major capital (underground mine construction) work undertaken at the Diavik Diamond Mine in first half 2009. Unlike the other tables in this full year report, table 6 includes only first half 2009. During second half 2009, underground mine construction was nearing completion and as a result, for the year's second half, all workers have been included in this report's operations employment tables.

For the first six months of 2009, Diavik and its contractors employed an average of 402 workers for capital projects. This is in addition to employment to maintain mining operations. On average there were 20 Aboriginal and 28 non-Aboriginal northern workers accounting for 12 per cent of total employment over this period. Others comprised an average of 355 (88 per cent) of construction employees in over the first six months of 2009.

**Table 6: Diavik Diamond Mine Operations Phase  
Total Employees for Capital by Priority Group\***

	Jan-Mar	Apr-Jne	2009*
<b>Total</b>	<b>470</b>	<b>333</b>	<b>402</b>
Aboriginal	21	18	20
Non-Aboriginal	28	27	28
<b>Subtotal Northern</b>	<b>49</b>	<b>45</b>	<b>47</b>
Other	421	288	355
	Per cent of Total		
<b>Total</b>	100%	100%	100%
Aboriginal	4%	5%	5%
Non-Aboriginal	6%	8%	7%
<b>Subtotal Northern</b>	<b>10%</b>	<b>14%</b>	<b>12%</b>
Other	90%	86%	88%

\*Based on first six months 2009 (see text)

## Section B: northern business benefits

### **Northern purchasing objective**

During the mine's approval process, Diavik projected that annual purchase of goods and services needed to support mine operations would be \$100 million annually. Consequently, Diavik committed to purchase<sup>4</sup> at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been significantly higher and 2009 operating and capital expenditures totalled \$431.8 million. Of this, \$288.1 million, or 67 per cent, was with northern companies (Table, 7, 10, and Chart 1).

### **Northern business participation initiatives**

Diavik recognizes its significant role in creating new and long-term business opportunities that can increase northern business community capacity. As a result, Diavik has entered into operations labour contracts with Aboriginal and northern businesses that supply approximately half of Diavik's workforce. The remainder is employed directly by Diavik Diamond Mines Inc.

Through such outsourcing contracts, northern firms are better positioned to grow their business into other areas (not just mining) and reduce their reliance on Diavik. In terms of employment opportunities, this approach has the potential to create additional new career opportunities for northerners.

Examples of northern contractors supporting Diavik Diamond Mine operations include I&D Management Services (heavy equipment operators), Ek'ati Services (catering and camp services), Tli Cho Logistics (site services), Tli Cho Landtran (freight transport), Tli Cho Air (air transportation), Denesoline Western Explosives (explosives), and Frontier Medical Services (medical).

DDMI has worked closely with these Aboriginal-owned companies to assist them in building capacity so they will be better positioned to pursue potential future business opportunities. DDMI also seeks to have these companies develop and implement their own policies and procedures which align or exceed the DDMI requirements.

In addition to building on its successes, DDMI has adopted new contracting principles for service providers. These principles are based on the notion that for Diavik to succeed in fulfilling all of its agreement and business objectives, all northern and Aboriginal contractors will need to fully embrace Diavik's continuous business improvement processes and share its multi-faceted performance accountabilities. As part of this initiative, all Diavik contractors are required to prepare business plans that include the following elements:

- Safety plan
- Business plan, including northern participation execution plan
- Contractor-specific key performance indicators – based on each of the above elements as well as contractor performance.

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<sup>4</sup> SEMA Appendix C, part 5. The objectives are subject to the ability of businesses in these priority groups to supply the required goods and services.

Each of the elements, including reporting requirements/frequencies, is incorporated into renewed/extended contracts, and forms the basis for ongoing monthly performance measurement, quarterly reviews and business improvement processes.

Diavik's business improvement model continues to focus on achieving excellence in the total business equation – core business deliverables and cost, and in the areas of Aboriginal participation, environmental and socio-economic performance, and best practices. Drawing a balance between these important elements continues to create the foundation for achieving a sustainable mine contributing to sustainable communities.

Examples of northern business participation activities undertaken in 2009 include:

- Information sessions and project updates in several Aboriginal Participation Agreement holder communities.
- Further alignment of site specific terms and conditions within the contract terms to increase northern business involvement in mine operations and to ensure Diavik's SEMA and Aboriginal Participation Agreement obligations are incorporated at all levels of the supply/service chain for the balance of construction and during mine operations.
- Continuation of Diavik's program to encourage the establishment of Aboriginal and non-Aboriginal joint ventures and northern businesses to serve the needs of Diavik and the mining industry in general. Specifically:
  - Further expansion of Tli Cho Logistics Ltd.'s scope to include cement supply and transport
  - Kitikmeot Cementation Mining and Development Ltd. successful development of Diavik's underground access ramp and assistance with feasibility study for long-term underground mining
  - Underground mining pilot project – I&D Management
  - Freight transportation
  - Fuel transportation during the winter road resupply
  - Assessment of Diavik's economic contribution to the northern business community
  - Business participation in resource industries workshops with federal and territorial economic development practitioners
  - Continued orientation of site contractors on Diavik's Northern Business Participation Policy and Socio-Economic Monitoring and Participation Agreement commitments

Through its on-going continuous business improvement processes, and the Diavik Northern Business Participation Policy, DDMI is fulfilling its northern business participation objectives that are articulated in Diavik's five Aboriginal Participation Agreements and in the Diavik Socio-Economic Monitoring Agreement.

## Combined northern business success

Table 7 gives operations and capital spending by priority group during 2009. Table 8 presents a sample of northern and northern Aboriginal businesses supporting Diavik.

In 2009, Diavik's combined operations and capital expenditures were \$431.8 million. The value of spending on northern businesses was \$288.1 million (67 per cent). Spending on Aboriginal businesses was \$145.3 million (34 per cent). Spending on northern non-Aboriginal business was \$142.8 million (33 per cent). Other businesses accounted for the remaining \$147.7 million (33 per cent).

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**Table 7: Diavik Diamond Mine Operations and Capital Expenditures by Priority Group (\$ millions)**

Total	<b>431.8</b>
Aboriginal	145.3
Non-Aboriginal	142.8
<b>Subtotal Northern</b>	<b>288.1</b>
Other	143.7
Per cent of Total	100%
Aboriginal	34%
Non-Aboriginal	33%
<b>Subtotal Northern</b>	<b>67%</b>
Other	33%

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**Table 8: Sample of Major Northern Businesses Supporting Diavik by Preference Category**  
**Northern Businesses**

Acklands-Grainger Inc.  
 ADCO North Limited  
 Aon Reed Stenhouse Inc.  
 Arcan Construction  
 Arctic Sunwest Charters  
 Atlas Copco  
 Aurora Geosciences Ltd.  
 Canadian Dewatering  
 Central Mechanical Services  
 Coneco Equipment Ltd.  
 Danmax Communication Ltd.  
 EBA Engineering Consultants Ltd.  
 Ecol Electric  
 First Air  
 Finning (Canada) Ltd  
 Fountain Tire Ltd.  
 Frontier Medical Services  
 Frontier Mining & Industrial Supplies  
 G&G Expediting  
 Golden Electric  
 Golder Associates Ltd.  
 Great Slave Helicopters Ltd.  
 Imperial Oil Limited  
 Inkit Ltd.  
 KBL Environment Ltd.  
 Kinacor Inc.  
 Kingland Ford  
 Lake Awry Cap & Crest  
 Matonabee Petroleum Ltd.  
 Major Drilling Ltd.  
 Midnight Sun Energy Ltd.  
 Midwest Major Drilling Ltd.  
 Nahanni Construction Ltd.  
 Ninety North Construction  
 Norpo  
 Northbest Distributors Ltd.  
 Northern Communication and Navigation  
 Northern Food Services  
 Northern Industrial Sales  
 Northwest Transport Ltd.  
 NWT Rock Services  
 Northern Industrial Sales  
 Northwestern AirLease Ltd.

Ollerhead & Associates Ltd.  
 Orbis Engineering Ltd.  
 Petro Canada  
 RTL Robinson Enterprises Ltd.  
 Ryfan Electric  
 Sandvik  
 Slade Fire Prevention  
 SMS Equipment Ltd.  
 Tait Communications and Consulting  
 Territorial Crane Service Ltd.  
 Tundra Transfer  
 Thyssen Krupp Elevators  
 Wajax Industries Ltd.

**Northern Aboriginal Businesses**

A&A Technical Services Ltd.  
 Behchoko Development Corporation  
 Canadian North  
 Ek'ati Services Ltd.  
 Exploration Medical Services Ltd.  
 I&D Management Services Ltd.  
 Kitikmeot Cementation  
 Lac De Gras Constructors  
 Metcrete Services  
 Nishi Khon SNC Lavalin Inc.  
 Northern Metallic Sales  
 Nuna Logistics  
 Tli Cho Landtran Transport Ltd.  
 Tli Cho Logistics  
 Denesoline Western Explosives Ltd.

## Section C: capital and operating summaries

Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in January 2003. Table 9 summarizes employment results achieved by Diavik and its contractors from 2000 through 2009. Mid year, as part of the mine's transition to underground operations, all workers were counted as operations.

**Table 9: Diavik Diamond Mine Historical Data  
Total Employees by Priority Group**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 00-09
	(Average Number of Employees)										
<b>Total Employment</b>	<b>297</b>	<b>1,031</b>	<b>1,114</b>	<b>611</b>	<b>719</b>	<b>1,085</b>	<b>1,068</b>	<b>1,286</b>	<b>1,436</b>	<b>1,011</b>	<b>9,658</b>
Aboriginal	78	245	214	221	259	290	272	299	298	279	2,455
Non-Aboriginal	87	182	268	223	258	296	292	311	307	273	2,497
<b>Subtotal Northern</b>	<b>165</b>	<b>427</b>	<b>482</b>	<b>444</b>	<b>517</b>	<b>586</b>	<b>564</b>	<b>609</b>	<b>606</b>	<b>552</b>	<b>4,952</b>
Other	132	604	632	167	202	499	504	693	831	459	4,723
<b>Total Operating</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>611</b>	<b>719</b>	<b>727</b>	<b>735</b>	<b>773</b>	<b>808</b>	<b>810</b>	<b>5,183</b>
Aboriginal	0	0	0	221	259	256	245	260	273	269	1,783
Non-Aboriginal	0	0	0	223	258	257	253	268	267	259	1,785
<b>Subtotal Northern</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>444</b>	<b>517</b>	<b>513</b>	<b>497</b>	<b>527</b>	<b>540</b>	<b>528</b>	<b>3,566</b>
Other	0	0	0	167	202	214	238	262	268	282	1,633
<b>Total Capital*</b>	<b>297</b>	<b>1,031</b>	<b>1,114</b>	<b>0</b>	<b>0</b>	<b>358</b>	<b>333</b>	<b>513</b>	<b>628</b>	<b>201</b>	<b>4,475</b>
Aboriginal	78	245	214	0	0	33	27	39	26	10	672
Non-Aboriginal	87	182	268	0	0	40	40	43	40	14	714
<b>Subtotal Northern</b>	<b>165</b>	<b>427</b>	<b>482</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>67</b>	<b>82</b>	<b>66</b>	<b>24</b>	<b>1,386</b>
Other	132	604	632	0	0	285	266	431	563	177	3,090
	(Per cent of Total)										
<b>Total Employment</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	28%	25%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	27%	26%
<b>Subtotal Northern</b>	<b>56%</b>	<b>41%</b>	<b>43%</b>	<b>73%</b>	<b>72%</b>	<b>54%</b>	<b>53%</b>	<b>50%</b>	<b>45%</b>	<b>55%</b>	<b>51%</b>
Other	44%	59%	57%	27%	28%	46%	47%	50%	55%	45%	49%
<b>Total Operating</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	34%	33%	34%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	33%	32%	34%
<b>Subtotal Northern</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>73%</b>	<b>72%</b>	<b>71%</b>	<b>68%</b>	<b>66%</b>	<b>67%</b>	<b>65%</b>	<b>69%</b>
Other	0%	0%	0%	27%	28%	29%	32%	34%	33%	35%	32%
<b>Total Capital</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	5%	15%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	7%	16%
<b>Subtotal Northern</b>	<b>56%</b>	<b>41%</b>	<b>43%</b>	<b>0%</b>	<b>0%</b>	<b>20%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>12%</b>	<b>31%</b>
Other	44%	59%	57%	0%	0%	80%	80%	84%	90%	88%	69%

\*2003 and 2004 capital employment with Total

## Capital employment

For the initial construction phase of the project (2000-2002), included in Table 9, Diavik undertook<sup>5</sup> that at least 40 per cent of total employment, including contractors, would be northerners. During initial construction, employment averaged 814 workers annually of whom 44 per cent (358) were northern and half, or 22 per cent (179), were Aboriginal.

A second round of construction began in 2005 to construct the A418 dike, raise the processed kimberlite containment dam height, and to construct the underground mine. Construction of the underground mine and related surface works, continued in 2009 with construction of the underground mine and related surface works virtually complete at year-end.

## Capital and operations business spending

Table 10 describes Diavik's historical capital and operations business expenditures. Diavik undertook<sup>9</sup> that throughout the capital or construction phase of the project that at least 38 per cent of the total capital expenditures would be on northern businesses. Of the \$1.2 billion in construction contracts awarded during the 2000 to 2002 construction phase, the value of northern contracts was just over \$874 million or 74 per cent (Table 10). This was almost double the objective of 38 per cent DDMI committed to in the Diavik Socio-Economic Monitoring Agreement. Northern Aboriginal spending during construction was \$604 million, or 51 per cent of the total.

For the operations, Diavik set a 70 per cent northern business spending target, based on expected annual spending of \$100 million. Annual expenditures have consistently outpaced that estimate.

For the second phase of construction commencing in 2005, Diavik combined operations and construction contracts wherever possible and practical. As a result, expenditures reported from 2003 to date combine capital and operations expenditures.

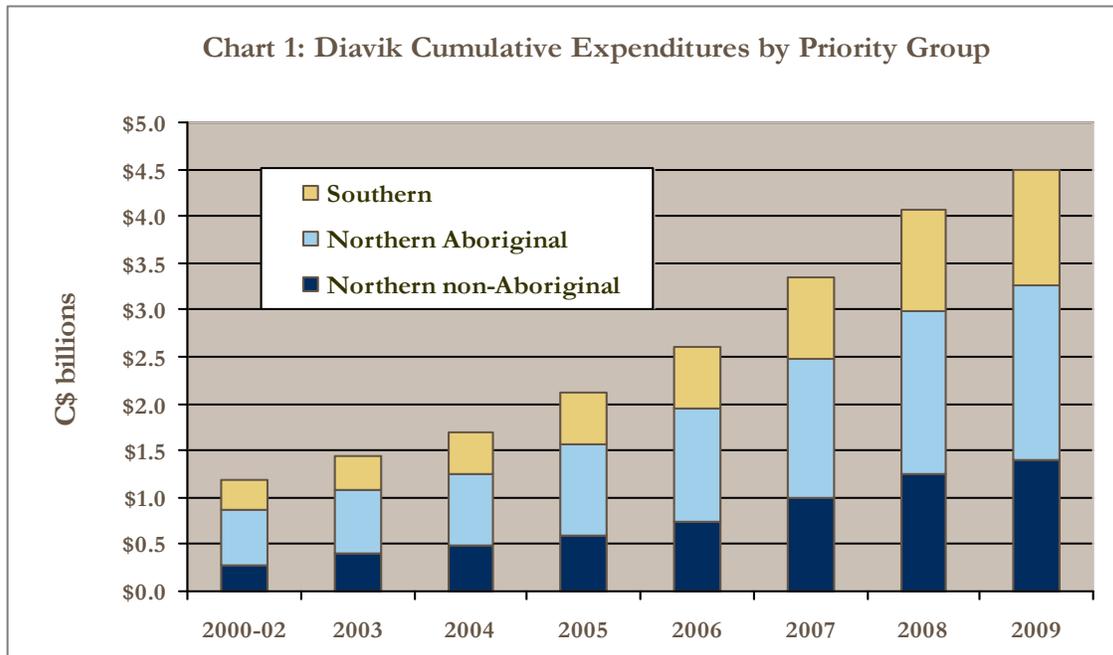
In summary, when all expenditures from 2000 through 2009 are combined (Table 10 and Chart 1), Diavik has spent a total of \$4.5 billion, of which \$3.3 billion (72 per cent) is on northern business. Of the \$3.3 billion, \$1.9 billion is on Aboriginal business.

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<sup>5</sup> SEMA Appendix A, part 3(a). The objectives were subject to applicable laws and regulations and the availability of persons in the priority groups with the required skills, training and experience.

**Table 10: Diavik Diamond Mine Capital and Operations Annual and Cumulative Spend by Priority Group**

	Capital				Operating				2003-09	Total
	2000-02	2003	2004	2005	2006	2007	2008	2009		
	(Millions of Dollars)									
Total	1,184	252	269	415	492	727	725	432	3,312	4,496
Northern Aboriginal	604	71	96	203	223	276	254	145	1,268	1,872
Other Northern	270	131	87	108	156	245	256	143	1,126	1,396
<b>Total Northern</b>	<b>874</b>	<b>202</b>	<b>183</b>	<b>311</b>	<b>379</b>	<b>521</b>	<b>509</b>	<b>288</b>	<b>2,392</b>	<b>3,267</b>
Other Canadian	310	50	87	104	113	206	215	144	919	1,229
	(Per cent of Total)									
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Northern Aboriginal	51%	28%	35%	49%	45%	38%	35%	35%	39%	42%
Other Northern	23%	52%	32%	26%	32%	34%	35%	30%	34%	31%
<b>Total Northern</b>	<b>74%</b>	<b>80%</b>	<b>68%</b>	<b>75%</b>	<b>77%</b>	<b>72%</b>	<b>70%</b>	<b>66%</b>	<b>72%</b>	<b>72%</b>
Other Canadian	26%	20%	32%	25%	23%	28%	30%	34%	28%	28%



## Section D: workforce development

### Site-based training

Most of Diavik's training is focused on site-based programs to train all employees on Diavik-specific equipment for safe and productive employment and to maintain compliance with Rio Tinto safety standards. For example, every person who comes to Diavik completes the on-line Diavik Safety Training System (DSTS). This ensures that everyone is familiar with our health and safety standards. In addition, all new employees attend our site induction program and also receive an orientation specific to the area where they will be working.

Other site-based training areas include:

- Fixed plant operations
- Surface operations
- Open pit mining operations and equipment
- Mine maintenance
- Equipment maintenance
- Safety systems including fall arrest, confined space, and safety interactions
- Continuous business improvement processes such as 6 Sigma™
- Industrial standard first aid
- WSCC Level I and II supervisor certification
- WSCC blaster and shift boss certification
- Mine rescue certification
- Electrical hazard and radiation training
- Delta-V process control
- Underground mine orientation and training

### Workplace learning centre

Diavik operates a Workplace Learning Centre at the mine site. Staffed by an adult education adviser, the centre is intended to help employees build their skills in areas directly related to their every day work. The advisor focuses on workplace essential skills, and provides learning support to our apprentices who are preparing to attend technical training. In addition, the Workplace Learning Centre is the first point of contact for new employees and contractors. The adult educator provides assistance to all new hires as they complete the on-line Diavik Safety Training System.

### Aboriginal leadership program

Diavik employs several northern Aboriginal people in supervisory positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, in 2004 Diavik developed an Aboriginal leadership program in partnership with SAIT Polytechnic. The program includes DDMI and contractor employees. As well as covering the customized curriculum which is based on Rio Tinto leadership competencies, participants were also matched with a DDMI supervisor for mentoring. Since 2005, 49 individuals have completed the program including seven DDMI employees in 2009. All graduates receive a certificate from SAIT recognizing their achievement.

## Skilled trades

Diavik has committed to train between 8 and 18 apprentices annually. As of 31 December 2009, there were 18 Diavik apprentices working towards certifications. Of the 18 apprentices, 17 are northern. Of the northerners, 13 are Aboriginal. Additionally, Diavik has two individuals working towards their dual apprenticeship. This brings our total apprenticeship number to 20.

Trade Type	DDMI	Tlicho	Ekati	Total
		Logistics	Services	
Electrical	2	2	-	4
Food Services	-	-	3	3
Heavy Duty Technician	4	1	-	5
Instrumentation Technician	3	-	-	3
Millwright	1	1	-	2
Welding	-	2	-	2
Power Systems Electrician		1		1
<b>Total</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>20</b>

In 2009, one apprentice achieved journeyman certification. A total of 18 apprentices have now successfully completed their apprenticeships at Diavik and achieved journeyman certifications from the Government of the Northwest Territories

## Aboriginal skills & employment partnership (ASEP)

The federal government has recognized that parts of Canada are experiencing significant demand for skilled labour and that many of these areas include Aboriginal communities that can benefit from the employment opportunities. Consequently, through its Services Canada department, the federal government launched the Aboriginal Skills and Employment Partnership (ASEP) program in 2004.

The NWT Mine Training Society (MTS) was created to administer ASEP funding and additional resources. The MTS board of directors consists of representatives of the North Slave Metis, Yellowknives Dene, Tlicho Government, and the Lutsel K'e Dene, the three diamond mining companies, and the territorial government with observers from Aurora College and the regional Human Resources and Skills Development Canada office. The purpose of ASEP is to increase the number of northern Aboriginal people participating in the mining industry. In 2009, Diavik continued to leverage resources available through the MTS partnership to train Aboriginal candidates as heavy duty equipment technicians. Additionally, Diavik provided a six-month underground mining work experience opportunity for eight Aboriginal candidates. Diavik contractors also receive training subsidies through MTS and are being trained at the mine site. The following programs receive MTS funding:

## Apprenticeships (heavy duty equipment technician)

Four heavy duty mechanic apprentices successfully moved into their level 4 training. These apprentices, all of whom are Aboriginal, work in Diavik's mine site maintenance shop and assist with mine fleet maintenance. Funding for these four apprenticeships is shared between Diavik and the NWT Mine Training Society.

## **Apprenticeships (contractor support)**

Diavik provided financial, in-kind and journeyman/mentor support for ten apprentices that were working for one of several on-site contractors. The apprentices were enrolled in one of the following Red Seal trades; millwright, welding, food services (chef and cook) or electrical. Many of these contractors are partnering with the MTS in support of these Aboriginal apprenticeships.

## **Underground miner training program**

In 2009, Diavik has continued to participate in the MTS underground miner training program in partnership with Kitikmeot Cementation Mining and Development (KCMD, and Aurora College. Part I is six weeks of the Ready to Work North program, modified to include the life and work skills in preparation for a rotational work schedule. This community-based program is delivered by the Aurora College adult educators. Part II is 16 weeks of training that familiarizes the trainees with underground safe work practices, mining methods, and procedures. It includes practice time on an underground equipment simulator and hands-on training on actual underground equipment, such as the haul truck, scooptram, and utility vehicle. Part III is 12 weeks of on the job training

In 2009, Diavik had eight underground mining trainees in this program (two groups of four). One group began the training in the fall of 2008 and finished in March 2009. The second group started in February 2009 and completed the program in August 2009.

## **Summer student placement**

Diavik provided two Aboriginal northern post-secondary students with work experience.

## Section E: cultural and community well-being

### **Cultural and community well-being**

Diavik's Socio-Economic Monitoring Agreement establishes policies and practices to help protect cultural and community well-being.

During the construction phase, DDMI initiated a cultural awareness, community well-being and employee wellness program. In developing these programs, DDMI worked closely with each of the five Aboriginal Participation Agreement holders to ensure project-related cultural and employee/community wellness issues would be addressed in a sensitive and meaningful manner. DDMI has continued these programs into the operations phase of the project.

Diavik's cultural awareness program was designed by four well-known northern Aboriginal teachers to address the needs of DDMI's workforce.

To ensure DDMI's cultural awareness objectives and commitments are met on an on-going basis, Diavik continues to offer this program on a quarterly basis to those in supervisory positions. The program continues to be well received and well attended. Diavik had several initiatives to support development of a long-term approach to project-related cultural and employee/community well-being. These include:

- Since inception in 2001, the Diavik scholarship program has awarded approximately \$1.5 million through individual scholarships to residents of the Northwest Territories and Nunavut's West Kitikmeot region. Scholarships are awarded by a Diavik Diamond Mines Inc. scholarship committee and through the five Participation Agreement implementation committees. These committees are co-managed by Diavik and representatives of the five neighbouring Aboriginal groups. The scholarship program includes high school, post-secondary, and employee family scholarships, bursary awards, as well as scholarships awarded through the National Aboriginal Achievement Foundation.
- Delivery of cultural awareness workshops which is required for all DDMI employees in supervisory positions.
- Community relations programs that ensure Community and Corporate Affairs department representatives attend special events like assemblies, elders' funerals, and significant community and cultural events.
- Mine tours for Aboriginal leaders, elders and Participation Agreement committee members.
- Collaborated with Yellowknives Dene First Nation and Diavik Communities Advisory Board to conduct studies and surveys with our employees to assist in development of indicators for reporting on social impact issues.
- Diavik donations and sponsorship committee meets regularly to review all donation and sponsorship requests. Our new donations policy includes a new two-tier review process under which all donations are reviewed by the committee. For large funding requests, the committee reviews and provides input to members of the company's senior executive.
- Comprehensive community relations program. For example, this year we completed several community updates to provide information on underground jobs.