



# DIAVIK DIAMOND MINE

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## SOCIO-ECONOMIC MONITORING REPORT FOR OPERATIONS JANUARY TO JUNE 2005

*For centuries,  
people of the North have used the resources wisely.*

*... Diavik is continuing this tradition.*

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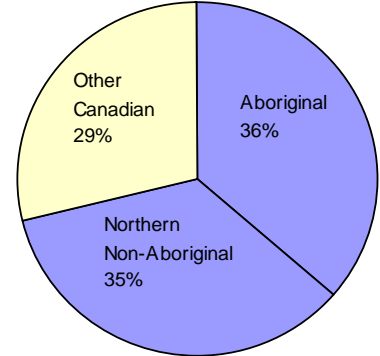
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## OPERATIONS HIGHLIGHTS

### Operations Employment

- The operation of the Diavik Diamond Mine employed an average of 725 workers from January to June 2005.
- Diavik employed 516 Northern workers (71% of the total) during the first six months of 2005.
- Of the Northern workers, over half (263) were Aboriginal and the remainder (253) were other northerners.

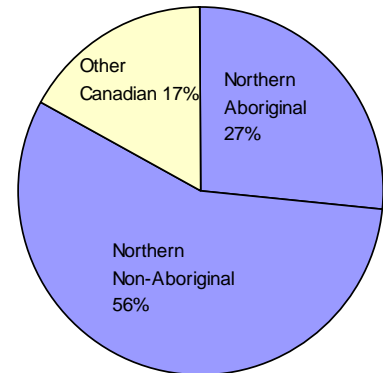
**Operations Employment  
Jan to Jne 2005**



### Business Spending on Operations

- During the first six months of 2005, DDMI spent \$152 million on operations.
- \$127 Million, or 83%, of the operations spending was with northern firms.
- \$41 million, or 27% of the operations spending was with northern Aboriginal business and \$86 million, or 56%, was with northern Non-Aboriginal businesses.
- Total operations and capital spending was \$262 million, of which 75% was northern.

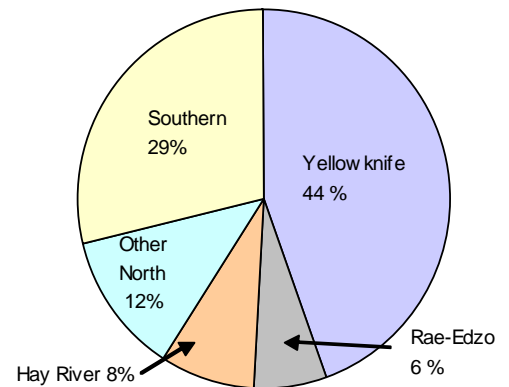
**Operations Expenditures by Priority Group  
Jan to Jne 2005**



### Employment by Community

- From January to June 2005, 322 workers, or 44% of the total, lived in Yellowknife.
- Hay River had 58 employees (8%) while Rae-Edzo had 47 employees (6%).
- 89 employees, or 12%, lived in other northern communities.
- There were 210 southern workers comprising 29% of total employment.

**Operations Employment by Community  
Jan to Jne 2005**



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## NEXT PHASE CAPITAL HIGHLIGHTS

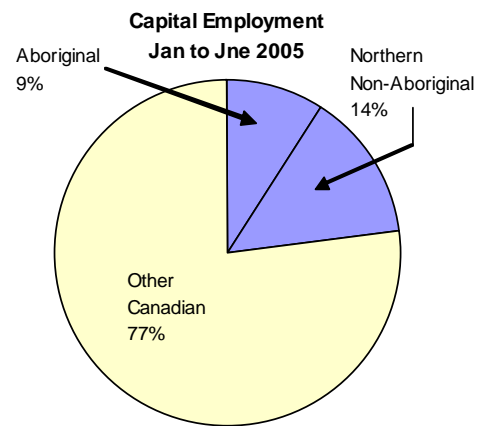
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In 2005, Diavik began the next phase of capital construction – construction of the next water retention dike and construction of an underground decline as part of feasibility studies to determine the best methods to underground mine the Diavik ore bodies. Along with a small process plant optimization study, this next phase of capital construction was valued at US\$265 million. In addition, an underground bulk sampling program was launched on the fourth kimberlite pipe, A21.

Given the short term and significantly large size of these capital expenditures, they have been tracked separately in this report.

### Employment for Capital Projects

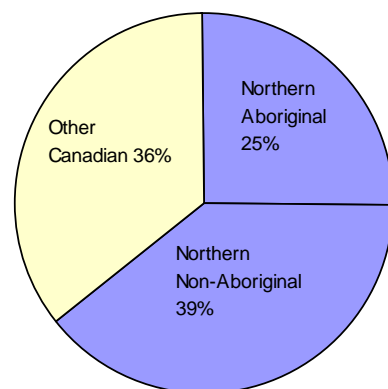
- Diavik Diamond Mine employed an average of 316 workers for capital projects during January to June 2005.
- Diavik employed 73 Northern workers (23%) during the first six months of 2005.
- Northern residents provided 73 workers of which 29 were Aboriginal and 44 were other northerners.



### Business Spending on Capital Projects

- During the first six months of 2005, DDMI spent \$110 million on capital projects, of which \$70 Million, or 64%, was with northern firms.
- DDMI spent \$28 million, or 25%, with northern Aboriginal business.
- DDMI spent \$43 million, or 39%, with Northern Non-Aboriginal businesses.

**Capital Expenditures by Priority Group  
Jan to Jne 2005**



# DIAVIK DIAMOND MINES INC.

## SOCIO-ECONOMIC MONITORING REPORT FOR THE OPERATIONS PHASE FROM JANUARY TO JUNE 2005

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### INTRODUCTION

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

Early in the mine's development the Diavik project team made a commitment to provide training, employment, and business opportunities to northerners. To provide a formal mechanism to ensure Diavik's 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.

On October 2, 1999, DDMI entered into a Socio-Economic Monitoring Agreement with the Government of the Northwest Territories, later ratified by the Dogrib Treaty 11 Council, the Yellowknives Dene Band, the Lutsel K'e Dene Band, the Kitikmeot Inuit Association and the North Slave Metis Alliance. The agreement specified that DDMI report twice a year on issues relating to employment and spending in the North during the construction and operation of the Diavik Diamond Mine. 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 report. Two reports were produced for operations in 2004 the first covering the period January to June and the second covering the period from January to December.

This report, which is in five sections, covers the period January 1 to June 30, 2005. Section A provides employment statistics for both DDMI and its contractors. Section B provides data on project spending commitments. Section C provides information on workforce development and Section D speaks to cultural and community well-being initiatives. Section E provides a historical summary of Diavik's employment and business spending.

The Diavik Socio-Economic Monitoring Agreement and the semi-annual SEMA reports can be found on the Diavik website at [www.diavik.ca](http://www.diavik.ca).

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## BACKGROUND – THE DIAVIK DIAMOND MINE

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### Diavik Diamond Mine Plan

The Diavik Diamond Mine is located on a 20 square kilometre island informally called East Island, in Lac de Gras, approximately 300 kilometres by air northeast of Yellowknife, Northwest Territories.

In 2005, the Diavik mine plan included three diamond bearing ore bodies, called kimberlite pipes designated A154North, A154South, and A418. In 2004, the A21 pipe was removed from ore reserves pending further study. Total mine life remains projected at 16-22 years. All four pipes are located beneath the waters of Lac de Gras, just offshore of East Island. The pipes are small compared to the world average but contain a higher than average content of attractive, high quality, and readily marketable diamonds. Mining methods will be a combination of open pit and underground. To allow open pit mining, DDMI must construct water retaining structures known as dikes, to allow the overlying waters to be removed temporarily for mining. In fall 2002, DDMI completed the first dike that encircles the A154 North and A154 South pipes, enabling commercial production to begin in January 2003.

Early in 2005, Diavik began preparations for the next phase of construction at the mine. Approved in December 2004, this C\$363 million capital investment includes construction of the A418 dike followed by pre-stripping to prepare for open pit mining, underground mining feasibility studies, and a smaller process plant optimization program. Dike construction and underground feasibility work, which includes an underground tunnel, or decline, to access the ore bodies, began in spring 2005. In addition, As well, Diavik began work on an underground decline to the A21 pipe to remove and analyze a bulk sample to better define this resource.

All of the physical plant to support the Diavik Diamond Mine is confined to East Island, and includes a kimberlite ore processing plant, permanent accommodation complex, maintenance shop, fuel storage tanks, boiler house, sewage treatment plant, and powerhouse. Elevated 'arctic corridors' carry services and provide enclosed walkways that connect all major buildings. In addition, there is a potable water treatment plant, and a wastewater treatment plant.

Diamonds are separated from the kimberlite ore using non-chemical, gravity-based methods to create a diamond-bearing heavy mineral concentrate. Subsequent removal 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, or processed kimberlite, are placed in the Processed Kimberlite Containment area, a permanent, engineered containment area on the island.

Diesel fuel provides the bulk of the mine's energy needs, and is used for power generation, mobile equipment, and heating. Due to limited access to the site over the seasonal winter road fuel storage must be of sufficient capacity to supply one year's operations; there are similar requirements for other products including tires and explosives. In 2005, Diavik commenced work on a fourth 18 million litre diesel fuel storage tank. Also because of the remote location, Diavik has an airstrip designed to receive a range of aircraft up to and including C130 Hercules transports and Boeing 737 passenger jets.

## Diavik Operations Highlights

The Diavik Diamond Mine continued to perform well. Highlights from the first six months of 2005 included:

- ◆ Diavik received the Canadian Council of Aboriginal Business Progressive Aboriginal Relations Gold Award.
- ◆ Diavik launched an Aboriginal Leadership Development Program in partnership with SAIT Polytechnic.
- ◆ Diavik's Environmental Management System was certified to the global International Standards Organization, ISO 14001:1996 Certification.
- ◆ Diavik's Product Splitting Facility was certified to ISO 9001:2000 Certification.
- ◆ DDMI successfully completed its winter road shipping season in April, trucking approximately 2,771 loads of fuel and supplies, as well as materials for the next phase of construction, over the seasonal ice road to the mine site.
- ◆ Exploration continued, with definition drilling and geophysical surveys on the existing ore bodies, as well as on targets away from the mine site. Three new kimberlite bodies were identified bringing the total kimberlites on the Diavik claims to 67. Much work remains to determine if any can be mined.
- ◆ In June, Diavik was presented with a John T. Ryan Regional Safety Award for Select Mines in Western Canada for its exemplary safety record in 2004.
- ◆ By mid year, diamond production had reached 4.3 million carats.
- ◆ Diavik operated in environmental compliance.
- ◆ Over the six months, there were three lost time injuries and seven medical treatment cases generating an All Incident Frequency Rate of 1.20.
- ◆ The Prospectors and Developers Association of Canada awarded Diavik with their Environmental Excellence in Engineering Award for protecting the environment and for establishing and maintaining good relations with local communities during the development and operation of the mine.
- ◆ The Association of Professional Engineers, Geologists, and Geophysicists of the Northwest Territories and Nunavut awarded Diavik with their Civic Award for Diavik's significant work to improve the quality of life for the citizens of their community, specifically completion of the Yellowknife community arena.

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## SECTION A: NORTHERN EMPLOYMENT DATA

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### Employment Objective for the Mining Phase

Diavik's employment commitment<sup>1</sup> during the operations phase is to have total northern employment comprise 66 per cent of the workforce with Aboriginal employees making up at least 40 per cent of Diavik's workforce.

### Employment Objective Success – Operations Phase January to June 2005

#### NORTHERN EMPLOYMENT FOR OPERATIONS

Table 1 provides the number of DDMI person-years<sup>2</sup> and the per cent of total by priority group<sup>3</sup> for the operation of the Diavik Diamond Mine for the first six months of 2005.

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

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2005
<b>Total</b>	725	726			725
Aboriginal Person	265	261			263
Other Northerner	248	257			253
Subtotal Northern	513	518			516
Other Canadian	212	208			210
			(Per cent of Total)		
<b>Total</b>	100%	100%			100%
Aboriginal Person	37%	36%			36%
Other Northerner	34%	35%			35%
Subtotal Northern	71%	71%			71%
Other Canadian	29%	29%			29%

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<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 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 number of employees equals the person-years of employment. The number of employees in this report and those presented in Diavik's Annual Sustainable Development Report may differ because the number of employees in the latter report in some cases presents a 'snapshot' of the number of employees on December 31st while this report presents average monthly employment for the period being presented.

<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).

Diavik Diamond Mines Inc. and its contractors employed an average of 725 workers during the first six months of 2005. On average there were 516 Northern workers accounting for 71 per cent of total workforce over this period. Of the Northern workers, 263 (51 per cent) were Aboriginal and 253 (49 per cent) were Other Northerners. Other Canadians comprised an average of 210 (29 per cent) workers during the period January to June 2005.

Although Diavik did not reach its 40 per cent target for Aboriginal workers, the number of Aboriginal workers was substantially higher than the number predicted in the Socio-Economic Environmental Effects Report (SEER) on which the SEMA was based. In the SEER it was predicted that total Aboriginal employment during production could be as high as 180. During the first six months of 2005, the actual number of Aboriginal workers was 263. DDMI and its contractors remain committed through DDMI's Aboriginal Employment Strategy to use best efforts to meet the 40 per cent target.

#### OPERATIONS EMPLOYMENT BY COMMUNITY

Table 2 provides the distribution of DDMI and its contractor employees by region for the first six months of 2005. During this period Diavik's operations workforce averaged 725. Some 516 (71 per cent) lived in the North.

Some 322 (44 per cent) lived in Yellowknife while 58 (8 per cent) lived in Hay River and 47 (6 per cent) lived in Rae-Edzo. Another 89 (12 per cent) lived in other NWT communities. A total of 18 (3 per cent) of Diavik's employees lived in Nunavut.

Of the Other Canadian workers, 117 (16 per cent) lived in Alberta while the other 93 (13 per cent) lived in other parts of Canada.

**Table 2: Diavik Diamond Mine Operations Phase  
Total Operations Employees by Community or Province of Residence**

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2005	(Per cent)
<b>Total</b>	725	726			725	100%
Dettah	1	1			1	0%
Fort Providence	6	6			6	1%
Fort Resolution	9	9			9	1%
Fort Smith	25	26			25	3%
Hay River	56	61			58	8%
Gameti	4	3			4	0%
Lutsel K'e	4	4			4	1%
N'Dilo	2	1			1	0%
Rae-Edzo	47	46			47	6%
Wekweti	3	4			3	0%
Wha Ti	11	10			10	1%
Yellowknife	320	323			322	44%
Other NWT	6	6			6	1%
Nunavut	19	18			18	3%
Subtotal Northern	513	518			516	71%
Alberta	117	116			117	16%
Other Canada	94	92			93	13%
Subtotal Southern	212	208			210	29%

## NEW HIRES BY PRIORITY GROUP FOR OPERATIONS

Table 3 provides the number of new hires by priority group for the operation and construction phases of the Diavik Diamond Mine for the first six months of 2005.

Diavik and its contractors hired 139 workers from January to June 2005. Of the total, 25 (18 per cent), were Northern Aboriginals and another 20 (14 per cent) were Other Northerners who had previously resided in the Northwest Territories or Nunavut's West Kitikmeot region for 6 months or more. Northerners who had resided in the North for less than six months accounted for 10 (7% per cent) of the new hires and there were another 84 (60 per cent) other Canadians. In total, northerners comprised 40 per cent of Diavik's total new employment for operations and construction during the period.

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

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2005
<b>Total</b>	71	68			139
Northern Aboriginal	12	13			25
Northerner (+6 mos)	7	13			20
Northerner (-6 mos)	6	4			10
Subtotal Northern	25	30			55
Other Canadian	46	38			84
	(Percent of Total)				
<b>Total</b>	100%	100%			100%
Northern Aboriginal	17%	19%			18%
Northerner (+6 mos)	10%	19%			14%
Northerner (-6 mos)	8%	6%			7%
Subtotal Northern	35%	44%			40%
Other Canadian	65%	56%			60%

## NORTHERN OUTSOURCING

To assist in raising northern business capacity, Diavik has outsourced much of its operations workforce requirements to northern businesses and approximately half of Diavik's operations workforce is supplied through outsourcing with the remainder employed directly by Diavik Diamond Mines Inc. Diavik believes that through outsourcing contracts, northern firms will build their business capacity and grow to become better positioned to service other new mining and resource-based projects. By the time Diavik finally ceases operations, these business will have outgrown reliance on the Diavik mine. This approach also has the potential to create additional new career opportunities for northerners. Diavik works with these contractors to ensure that their policies and procedures are aligned with those of Diavik Diamond Mines Inc., and that they also help Diavik meet its many commitments.

Examples of northern and Aboriginal contractors supporting Diavik Diamond Mine operations include I&D Management Services which supplies heavy equipment operators, Ek'ati Services which supplies catering and camp services, Tli Cho Logistics which supplies site services, SecureCheck for security, and Denesoline Western Explosives. 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.

Diavik also utilizes the services of many other northern and northern Aboriginal firms. For a more comprehensive list of DDMI contractors see Table 5 in Section B of this report.

## NORTHERN EMPLOYMENT FOR CAPITAL PROJECTS

In December 2004, Diavik's investors approved the US\$265 million for the next phase of capital – construction of the next water retention dike, construction of an underground decline as part of feasibility studies to determine the best methods to underground mine the Diavik ore bodies, and a small process plant optimization study. In addition, an underground bulk sampling program was approved for the fourth kimberlite pipe, A21.

Table 4 provides the number of person-years<sup>4</sup> and the per cent of total by priority group<sup>5</sup> for capital work undertaken during the operation phase of the Diavik Diamond Mine for the first six months of 2005.

**Table 4: Diavik Diamond Mine Operations Phase  
Total Employees for Capital Projects by Priority Group**

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2005
<b>Total</b>	233	400			316
Aboriginal Person	27	30			29
Other Northerner	44	45			44
Subtotal Northern	70	75			73
Other Canadian	162	325			243
	(Per cent of Total)				
<b>Total</b>	100%	100%			100%
Aboriginal Person	12%	8%			9%
Other Northerner	19%	11%			14%
Subtotal Northern	30%	19%			23%
Other Canadian	70%	81%			77%

Diavik and its contractors employed an average of 316 employees for capital projects during the first six months of 2005. On average there were 73 northern employees accounting for 23 per cent of total employment over this period. Other Canadians comprised an average of 243 (77 per cent) employees during the period January to June 2005.

<sup>4</sup> The average number of 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 number of employees equals the person-years of employment. The number of employees in this report and those presented in Diavik's Annual Sustainable Development Report may differ because the number of employees in the latter report in some cases presents a 'snapshot' of the number of employees on December 31st while this report presents average monthly employment for the period being presented.

<sup>5</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).

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## SECTION B: NORTHERN BUSINESS BENEFITS

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### Northern Purchase Objective

In 1999, Diavik estimated annual purchase of goods and services needed to support the mine to be \$100 million annually. Consequently, Diavik committed to purchase<sup>6</sup> at least 70 per cent of the goods and services annually from northern companies during operations. Actual expenditures since then have been significantly higher, and combined operating and capital expenditures are exceeding \$200 million annually. Despite the increase, Diavik has been able to virtually meet its goals of 70 per cent northern purchasing.

### Diavik Northern Business Participation Initiatives

DDMI recognizes that mining can play a significant role in creating new and long-term business and employment opportunities which can lead to increased business capacity for small, medium, and larger enterprises located in the North.

DDMI recognizes that fostering long-term sustainable business relationships in the North is essential if the mine development is to meet one of its objectives of ensuring northern businesses participate and benefit from the project throughout all phases of its life cycle.

DDMI has continued to work in partnership with its Aboriginal Participation Agreement partners and government agencies to strengthen the foundation for on-going Aboriginal and northern business presence during the mine operations phase.

Diavik's continued focus during 2005 has been on increasing Aboriginal and northern business capacities. The intent is that the majority of Diavik's operating needs can be satisfied by the northern business community and that project-related northern businesses will be better positioned to service other customers including mining and resource-based projects.

A sample of northern business participation activities undertaken in 2005 include:

- Information sessions and project updates in most Aboriginal Participation Agreement holder communities, as well as Cambridge Bay, Hay River, Fort Smith and Kugluktuk.
- Alignment of special and general contract conditions 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. This alignment process established the foundation for DDMI's new business model for creating and balancing contractor performance accountabilities
- Northern vendor and contractor registration process and pre-qualification database
- Continued orientation of site contractors on Diavik's Northern Business Participation Policy
- Local/regional business capacity/opportunity assessment

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<sup>6</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.

- Continuation of Diavik's program to encourage the establishment of Aboriginal and non-Aboriginal joint ventures to serve the needs of Diavik and the mining industry in general

Through its on-going continuous business improvement processes, and the Diavik Northern Business Participation Policy, DDMI is committed to upholding its northern business participation objectives that are described in Diavik's five Aboriginal Participation Agreements and in the Diavik Socio-Economic Monitoring Agreement. As a mining company committed to sustainable development, DDMI is also committed to assisting communities and individuals to develop long-lasting and sustainable business capacities that extend beyond the life-of-mine.

### Northern Business Success

Table 5 gives the value of spending by business preference category for operations (including the ongoing capital program) during the first six months of 2005.

#### JANUARY TO JUNE 2005 OPERATIONS EXPENDITURES

During the first six months of 2005 Diavik's total expenditures on operations were \$152 million.

The value of operations spending to northern businesses was \$127 million (83 per cent) which substantially exceeded Diavik's objective of 70 per cent committed to operations in the Diavik Socio-Economic Monitoring Agreement.

Northern Aboriginal businesses received \$41 million (27 per cent) of the total. Northern Non-Aboriginal business received an additional \$86 million (56 per cent). Other Canadian and foreign businesses accounted for the remaining \$26 million (17 per cent).

**Table 5: Diavik Diamond Mine Operations Phase  
Diavik Expenditures by Priority Group - January 1 to June 30, 2005**

Business Priority Group	Operations	Capital	Total
	(Thousands of Dollars)		
<b>Total</b>	152,291	109,527	261,818
Northern Aboriginal	40,752	27,534	68,286
Other Northern	85,810	42,772	128,582
Subtotal Northern	126,562	70,306	196,868
Other Canadian and foreign	25,729	39,221	64,950
	(Per cent of Total)		
<b>Total</b>	100%	100%	100%
Northern Aboriginal	27%	25%	26%
Other Northern	56%	39%	49%
Subtotal Northern	83%	64%	75%
Other Canadian and foreign	17%	36%	25%

## CAPITAL EXPENDITURES JANUARY TO JUNE 2005

During the first six months of 2005 Diavik's total capital expenditures were \$110 million.

The value of capital spending to northern businesses was \$70 million (64 per cent). Northern Aboriginal businesses received \$28 million (25 per cent) of the total. Northern non-Aboriginal business received \$43 million (39 per cent). Other Canadian and foreign businesses accounted for \$39 million (36 per cent).

## COMBINED OPERATIONS AND CAPITAL EXPENDITURES JANUARY TO JUNE 2005

During the first six months of 2005, Diavik's combined operations and capital expenditures were \$262 million, of which \$152 million was for operations, and \$110 million was for capital projects.

The value of combined spending to northern businesses during January to June 2005 was \$197 million (75 per cent) of the total value of spending of \$262 million. Aboriginal businesses received \$68 million (26 per cent) of the total. Northern Non-Aboriginal business received an additional \$129 million (49 per cent). Other Canadian and foreign businesses accounted for the remaining \$65 million (25 per cent).

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**Table 6: Sample of Major Businesses Supporting Diavik  
by Preference Category<sup>7</sup>**

### **NORTHERN BUSINESSES**

ADCO North Limited  
Arctic Divers  
Arctic Sunwest Charters  
Artisan Press Ltd.  
Aurora Geosciences Ltd.  
Bellanca Developments  
Bromley & Sons Ltd.  
Buffalo Airways Ltd.  
Coneco Equipment Ltd.  
Danmax Communication Ltd.  
Finning Canada Ltd.  
Fountain Tire Mine Services  
Frontier Mining & Industrial Supplies  
G&G Expediting  
Great Slave Helicopters  
Imperial Oil Limited  
Kingland Ford  
Lifeworks Counselling Services  
Midwest Drilling Ltd.  
Nahanni Construction Ltd.  
Northern Communication And Navigation  
Ollerhead Surveys Ltd.  
Reid Crowther

Ron's Auto  
Ryfan Electric  
RTL Robinson Enterprises Ltd.  
Slade's Fire Protection  
Weaver & Devore Ltd.

### **ABORIGINAL BUSINESSES**

A&A Technical Services Ltd.  
Aboriginal Engineering  
Air Tindi Ltd.  
Canadian North  
Ek'ati Services Ltd.  
Exploration Medical Services Ltd.  
First Air  
I&D Management Services Ltd.  
Kitikmeot Cementation Mining & Development  
Lac De Gras Constructors  
Nishi Khon SNC Lavalin  
Nuna Logistics  
SecureCheck  
Tli Cho Air  
Tli Cho Landtran Transport Ltd  
Tli Cho Logistics  
Western Denesoline Explosives Ltd

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<sup>7</sup> This list represents only a small portion of the many companies with which DDMI does business.

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## SECTION C: CAPITAL AND OPERATING SUMMARIES

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Diavik is a phased operation, with several major capital (construction) investments throughout its mine life. Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in late January 2003. In 2005, in addition to commercial operations, construction of the A418 dike was begun and an underground feasibility study was launched.

### *Capital and Operations Employment*

**Table 7: Diavik Diamond Mine Historical Data  
Total Employees by Priority Group**

	2000	2001	2002	2003	2004	2005*	Total
<b>Total Employment (number)</b>	298	1,031	1,113	611	720	1,041	4,814
Aboriginal Person	78	245	214	221	259	292	1,309
Other Northerner	87	182	268	223	258	297	1,315
Subtotal Northern	165	427	482	444	518	588	2,624
Other Canadian	132	604	632	167	202	452	2,189
<b>Total Operating (number)</b>	0	0	0	611	720	725	2,056
Aboriginal Person	0	0	0	221	259	263	743
Other Northerner	0	0	0	223	258	253	734
Subtotal Northern	0	0	0	444	518	516	1,478
Other Canadian	0	0	0	167	202	210	578
<b>Total Capital (number)</b>	298	1,031	1,113	N/A	N/A	316	2,758
Aboriginal Person	78	245	214	N/A	N/A	29	566
Other Northerner	87	182	268	N/A	N/A	44	581
Subtotal Northern	165	427	482	N/A	N/A	73	1,147
Other Canadian	132	604	632	N/A	N/A	243	1,611
	<b>(Percent of Total)</b>						
<b>Total Employment (percent)</b>	100%	100%	100%	100%	100%	100%	100%
Aboriginal Person	26%	24%	19%	36%	36%	28%	27%
Other Northerner	29%	18%	24%	36%	36%	29%	27%
Subtotal Northern	55%	41%	43%	73%	72%	57%	55%
Other Canadian	44%	59%	57%	27%	28%	43%	45%
<b>Total Operating (percent)</b>	0%	0%	0%	100%	100%	100%	100%
Aboriginal Person	0%	0%	0%	36%	36%	36%	36%
Other Northerner	0%	0%	0%	36%	36%	35%	36%
Subtotal Northern	0%	0%	0%	73%	72%	71%	72%
Other Canadian	0%	0%	0%	27%	28%	29%	28%
<b>Total Capital (percent)</b>	100%	100%	100%	N/A	N/A	100%	100%
Aboriginal Person	26%	24%	19%	N/A	N/A	9%	21%
Other Northerner	29%	18%	24%	N/A	N/A	14%	21%
Subtotal Northern	55%	41%	43%	N/A	N/A	23%	42%
Other Canadian	44%	59%	57%	N/A	N/A	77%	58%

\* Represents monthly average for January to June 2005

N/A Not Available

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Diavik undertook<sup>8</sup> that throughout the construction phase of the project that at least 40 per cent of the total employment, including contractors, would be northerners. During the operations phase, Diavik set a target of 66 per cent northern employment and 40 per cent Aboriginal employment.

Table 7 presents the results achieved by Diavik and its contractors for employment for the period January 2000 to June 2005.

During the initial construction phase (2000 to 2002), Diavik exceeded its northern employment target of 40 per cent in every year, reaching 55 per cent in 2000, 41 per cent in 2001, and 43 per cent in 2002. During those years Diavik employed 165, 427, and 482 northerners respectively. In 2005 (the start of the second construction phase) Diavik reached 23% northern employment. The lower percentage of northern workers was the result of a severe labour shortage in the north. In spite of this Diavik over the period January 2000 to June 2005 reached an average of 42% northern employment which exceeded the target of 40%.

Diavik consistently exceeded its northern employment objective of 66 per cent during the operations phase from January 2003 to June 2005, averaging 73 per cent in 2003, 72 per cent in 2004 and 71 per cent for the first six months of 2005. Diavik employed an average of 444 northerners in 2003, 518 in 2004 and 516 during the first six months of 2005.

Although Diavik fell just short of the 40 per cent target in the SEMA, Aboriginal employment did average 36 per cent over the period January 2003 to June 2005.

Diavik employed an average of 221 Aboriginal northerners in 2003, 259 in 2004 and 263 during the first six months of 2005. This level of employment was substantially higher than the number predicted in the Socio-Economic Environmental Effects Report (SEER) on which the SEMA was based. In the SEER it was predicted that the total number of Aboriginal employees during production could be as high as 180.

### ***Capital and Operations Business Spending***

Diavik undertook<sup>6</sup> that throughout the construction phase of the project that at least 38 per cent of the total expenditures, including contractors, would be with northern businesses. During the operations phase, Diavik set a target of 70 per cent northern for business expenditures.

Table 8 presents the results achieved by Diavik and its contractors for business spending for the period 2000 to the end of June 2005.

The value of contracts during the construction phase from 2000 to 2003 to northern businesses was just over \$874 million or 74 per cent of the value of all committed contracts of \$1,184 million. The northern share of 74 per cent was almost double the objective of 38 per cent that DDMI committed to in the Diavik Socio-Economic Monitoring Agreement. During construction, northern Aboriginal spending was \$604 million, or 51 per cent of the total.

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<sup>8</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.

Diavik's operating expenditures from January 2003 to June 2005 were \$554 million. Northern expenditures represented 76 per cent of the total which resulted in Diavik exceeding DDMI's target of 66 per cent committed to in the Diavik Socio-Economic Monitoring Agreement.

During the operations phase over the period January 2003 to June 2005, Diavik spent \$229 million on ongoing capital expenditures. Of this total, \$164 million, or 77 per cent, was with northern businesses. Some \$49 million, or 21 per cent of the total, was with northern Aboriginal businesses.

**Table 8: Diavik Diamond Mine Capital and Operations  
Diavik Annual Expenditures by Priority Group**

	Capital Phase	Operating Phase			Total	Grand Total
	Total	2003	2004	2005*		
(Millions of Dollars)						
<b>Total</b>	1,184	252	269	262	783	1,967
Northern Aboriginal	604	71	96	68	235	839
Other Northern	270	131	87	129	347	617
Subtotal Northern	874	202	183	197	582	1,456
Other Canadian	310	50	87	65	202	511
<b>Operations</b>	0	174	227	152	554	554
Northern Aboriginal	0	60	85	41	186	186
Other Northern	0	72	75	86	233	233
Subtotal Northern	0	133	159	127	418	418
Other Canadian	0	42	68	26	136	136
<b>Capital</b>	1,184	78	42	110	229	1,413
Northern Aboriginal	604	11	11	28	49	653
Other Northern	270	59	12	43	114	384
Subtotal Northern	874	70	23	70	164	1,038
Other Canadian	310	8	18	39	66	376
(Per cent of Total)						
<b>Total</b>	100%	100%	100%	100%	100%	100%
Northern Aboriginal	51%	28%	35%	26%	30%	43%
Other Northern	23%	52%	32%	49%	44%	31%
Subtotal Northern	74%	80%	68%	75%	74%	74%
Other Canadian	26%	20%	32%	25%	26%	26%
<b>Operations</b>	0%	100%	100%	100%	100%	100%
Northern Aboriginal	0%	34%	37%	27%	33%	33%
Other Northern	0%	42%	33%	56%	42%	42%
Subtotal Northern	0%	76%	70%	83%	76%	76%
Other Canadian	0%	24%	30%	17%	24%	24%
<b>Capital</b>	100%	100%	100%	100%	100%	100%
Northern Aboriginal	51%	14%	26%	25%	21%	46%
Other Northern	23%	76%	30%	39%	50%	27%
Subtotal Northern	74%	90%	56%	64%	71%	73%
Other Canadian	26%	10%	44%	36%	29%	27%

\* Represents spending for January to June 2005

In summary, over the period January 2000 to June 2005, total construction and operations expenditures were \$1,967 million. Of this, 74 per cent, or \$1,456 million, was with northern businesses. Some \$839 million, or 43 per cent of the total, was with northern Aboriginal businesses.

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## SECTION D: WORKFORCE DEVELOPMENT

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Diavik continues its commitment to skills development by promoting workforce development initiatives that build worker confidence, raise skill levels, and enable career advancement.

Diavik continues to support a variety of training and other workforce development initiatives including apprenticeships, numerous site-based training programs where northerners are being trained on Diavik-specific equipment for safe and productive employment, and other initiatives.

Diavik's training programs are built on a number of principles, including:

- Training will enable northerners to gain access to jobs
- Training opportunities shall go to members of northern communities with special emphasis on the neighbouring communities of Wekweti, Gameti, Wha Ti, Rae-Edzo, Dettah, N'dilo, Lutsel K'e, Kugluktuk, and the North Slave Metis Alliance
- Long-term contractors to the Diavik Diamond Mine will also adhere to the goal of maximizing the employment of northerners

### ***Aboriginal Leadership Development Program***

Currently, Diavik employs several northern Aboriginal people in supervisory and management positions. However, the majority of Aboriginal workers occupy entry level and semi-skilled positions reflecting the significantly lower education levels in the smaller communities. Diavik's goal is to increase, over time, the number of Aboriginal people at the supervisory and management level through focused Aboriginal leadership development training.

In April 2005, Diavik launched as a pilot, the Aboriginal Leadership Development Program. Open to employees of DDMI and its outsourcing contractors, the program was designed and delivered by SAIT (Southern Alberta Institute of Technology) Polytechnic. The ALDP comprised 7 modules that address 16 Leadership Competencies, and includes over 160 hours of leadership training, augmented with mentoring from Diavik staff. Course content was built around SAIT's Applied Management Certificate Program, but customized to take into account Diavik's 24-hour, 365-day mining operation and the varying work schedules of employees. The program is to be completed by year end.

### ***Community-Based Training***

During construction of the mine, Diavik developed a unique community-based training partnership to help prepare residents for work on the project. Diavik trained nearly 250 people, many of whom went on to successful employment with Diavik and other companies. The transition from construction to operations coincided with a transition from construction employment training to sustainable employment within the mine.

Following Diavik's successful training model, in 2004 a similar but broadened community training partnership was created between the three diamond mining companies in the Northwest Territories, the affected Aboriginal groups and the territorial and federal governments. In November 2004, the NWT Mine Training Society was created to administer approximately \$15 million of federal funding under the Aboriginal Skills Employment Program. With additional partner resources, the Society is initiating industry-led training programs that result in sustainable employment in the diamond mines.

During the first half of 2005, Diavik launched the Mineral Processing Plant Operator Training Program in partnership with the North Slave Métis Alliance and Aurora College. It is a 6-month program designed to qualify up to sixteen Aboriginal people of the Northwest Territories and/or Nunavut for entry-level positions in process plants at the diamond mines.

### ***Site-Based Training***

With mining now well underway, much of Diavik's training is focused on site-based programs to train northerners on Diavik-specific equipment for safe and productive employment. For example, Diavik carries out overhead crane training, small loader training, aerial lift/platform training, technology systems training, and continued training in security systems as well as training on air exchange units, HVAC systems, and a range of specialized operations and maintenance training on mobile equipment. Other site-based training areas include:

- Process plant operations
- Process plant maintenance
- Operations and maintenance
- Mine operations/equipment
- Mine maintenance
- Safety systems including safety management audit systems & equipment-specific training initiatives
- Continuous business improvement process
- Integrated process management
- Dupont™ root cause analysis for incident management
- 6 Sigma™ business performance leadership training
- Industrial standard first aid
- Level I and II mine safety certification
- Environmental management systems
- Mine rescue certification
- Blasting certification
- Delta-V process control training

### ***Apprenticeships***

Diavik has committed to train from eight to 18 apprentices annually. The numbers vary with turnover and with trades completions, and in Diavik's short life, this number has reached as high as 18. As of June 2005, there were 15 apprentices working at the Diavik Diamond Mine. Trades include electrician, millwright, instrumentation technician, welding, heavy duty mechanics, and automotive mechanics. All apprentices are northern and two-thirds are Aboriginal.

### ***Workplace Learning Centre***

Diavik operates a full time Workplace Learning Centre at the mine site, staffed by two workplace educators working on a rotation basis. The centre supports human resource development, particularly for northern and Aboriginal workers who need workplace essential skill enhancement to perform at their best in their respective positions. The workplace educators help Diavik site workers with work-related reading, writing and computer skill development, computer-based safety training, and Class 1 site driver's licenses. They also provide job coaching, workplace performance consulting, study skill guidance and exam supervision. Assistance is also available for workers seeking practice, and guidance

for achieving education and career goals. Further assistance is offered to workers during their off time through referrals to the local adult educators at the Aurora College community learning centres.

### ***Employee Development***

DDMI believes that employees are valuable resources that form the foundation of a successful business. Providing higher education or career advancement is essential in retaining a loyal, skilled workforce throughout the life of the mine and Diavik supports employees in these pursuits. The long-term success and advancement of employees will contribute positively towards the sustainability of the business by reducing costs associated with turnover, and will contribute to the employee's overall well-being and to that of their home communities. During 2005, several employees initiated or continued training and development plans.

### ***Scholarships***

In 2004, 109 recipients received over \$180,000 in Diavik scholarship awards. Since its inception in 2001, the Diavik scholarship program has awarded over \$680,000 to residents of the Northwest Territories and Nunavut's West Kitikmeot region.

Scholarships are awarded by a 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 including the Yellowknives Dene Band, Dogrib Treaty 11 Council, North Slave Metis Alliance, Kitikmeot Inuit Association, and Lutsel K'e Dene Band.

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.

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## SECTION E: CULTURAL AND COMMUNITY WELL-BEING

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Under the terms of the Socio-Economic Monitoring Agreement, DDMI agreed to establish policies and practices to help protect cultural and community well-being.

During the construction phase, DDMI initiated Cultural Awareness, Community Well-Being and Employee Wellness programs. 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 and the program continues to be offered to Diavik employees.

To ensure DDMI's cultural awareness objectives and commitments are met on an on-going basis, Diavik also established an internal interdepartmental committee to oversee the continual development and improvement of this important employee-focused program.

During 2005, Diavik had several initiatives to support development of a long-term approach to project-related cultural and employee/community well-being. These include:

- Delivery of cultural awareness workshops which is required for all DDMI employees
- Community Relations programs that ensures Community Affairs department representatives attend all special events like assemblies, elders' funerals, and significant community and cultural events
- Diavik mine tours for Aboriginal elders, women and students
- Collaboration with Yellowknives Dene First Nations and Diavik Community Advisory Board to conduct studies and surveys with Diavik employees to assist in development of "indicators" for reporting on social impact issues
- Partnership with local groups to host a substance abuse awareness presentation by well known Canadian boxing champion, George Chuvalo
- Donations program
- Scholarship program
- Comprehensive community relations program

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