

Diavik Diamond Mine

2008 socio economic monitoring report

22 April 2009

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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 Mines Ltd. (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 Mines Ltd. is wholly owned by Harry Winston Diamond Corporation of Toronto, Canada. In 2007, Aber Diamond Corporation changed its name to Harry Winston Diamond Corporation. 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.

On October 2, 1999, Diavik entered into a Socio-Economic Monitoring Agreement (SEMA) with the Government of the Northwest Territories, later ratified by the Dogrib Treaty 11 Council (now the Tli Cho 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. 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 2008 to 31 December 2008 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.

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 2008, the Diavik mine plan included three diamond bearing ore bodies, or kimberlite pipes, named A154 North, A154 South, and A418. All three pipes are 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, DDMI 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. Early in 2008, work crews continued their work to prepare the A418 pit and during the second quarter, as part of ongoing pre-stripping of waste overburden, Diavik mined some small quantities of A418 ore. This initial ore was low grade weathered kimberlite capping the pipe and diluted with overlying glacial till and by year-end production from the A418 pipe was well underway.

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, our joint venture partners, Rio Tinto and Harry Winston, 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 would 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.

During 2008, construction advanced on new surface works required to support underground mining, including new crushing and paste backfill plants, expansions to the water treatment and power generating plants, and construction of ancillary facilities including fuel storage, and additional accommodation facilities. By year-end, several of the estimated 20 kilometres of underground mine tunnels needed to support underground mining were established.

2008 reporting period highlights

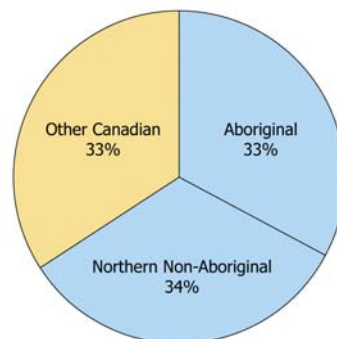
- Early in 2008, our workforce was awarded the Canadian John T. Ryan Safety Trophy for Western Canada in recognition of its excellent 2007 safety performance. NWT Premier Floyd Roland presented the award to the workforce at the minesite. This was the third time Diavik has won the award.
- For 2008, Diavik's annual Lost Time Injury Frequency rate was 0.49 and the annual All Injury Frequency Rate was 0.98. For the year, there were 11 lost time injuries and 11 medical treatments.
- Diavik continued its commitment to community infrastructure in 2008 with construction of the Bailey House Men's Transition Home virtually completed. Diavik's role included project management and other contributions to the facility.
- In another community initiative, Diavik announced in 2008 that Diavik would partner in the construction of a new Territorial Dementia Facility to be built in Yellowknife.
- During 2008, operations employment averaged 808 workers. Northern and Aboriginal employment, averaged 540 (67%) and 273 (34%) respectively.
- At year-end, 19 northern trades apprentices were working at Diavik, exceeding projection of maintaining from 8 to 18 apprentices annually.
- In 2008, four Diavik apprentices completed their training achieving journeyperson designations. Some 17 people have successfully completed their apprenticeships at Diavik.
- In terms of business benefits, full year operations and capital expenditures were \$724.7 million, of which \$509.4 million (70%) was with northern business. Spending continues to significantly surpass original, pre-mine construction projections of \$70 million in annual northern operating expenditures.
- Overall, total cumulative spending since 2000 reached \$4.1 billion, of which \$3.0 billion (73%) was with northern firms. By year-end 2008, Aboriginal business spending reached \$1.7 billion (42% of the overall spending since construction began).
- In April 2008, Diavik completed a successful ice road program shipping 4,174 loads to the mine site and backhauling 110 loads. Combined, all ice road users shipped 8,336 loads (shipments and backhauls combined).
- For the year, rough diamond production was 9.2 million carats.
- Competing in the annual northern Mine Rescue Competition, the mine rescue team, comprised of members of the minesite emergency response team, took top honours in two events.
- In December, Diavik announced initial actions in response to the global economic conditions. These initial actions included deferring the start of diamond production from the underground mine, deferring capital projects, reducing exploration activity, and cost management.

Operations highlights

Operations employment by priority group

- During 2008, Diavik's operations workforce averaged 808 workers.
- Diavik employed 540 Aboriginal and non-Aboriginal northern workers (67%) in 2008.
- Approximately half (273) of Diavik's northern operations workforce was Aboriginal.

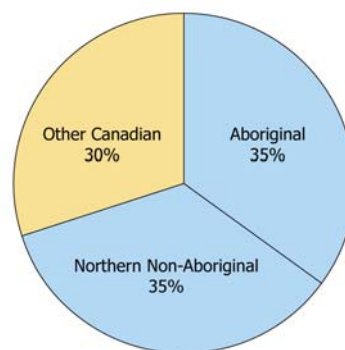
Operations Employment 2008



Business spending

- During 2008, DDMI spent \$724.7 million on capital and operating expenses.
- Diavik spend \$509.4 million (70%) with northern firms.
- Of the \$509.4 million, Diavik spent \$253.6 million (35%) with northern Aboriginal business.
- Diavik spent \$255.8 million (35%) with northern non-Aboriginal businesses.

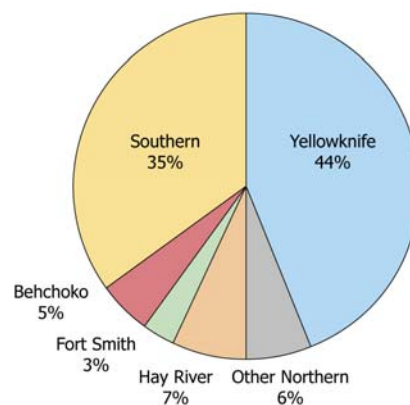
Total Spending 2008



Operations employment by community

- During 2008, an average of 525 people (65%) resided in the North.
- 352 people (44%) resided in Yellowknife.
- 58 people (7%) resided in Hay River, 40 people (5%) resided in Behchoko, and 26 people (3%) resided in Fort Smith.
- 50 people (6%) resided in various other northern communities.

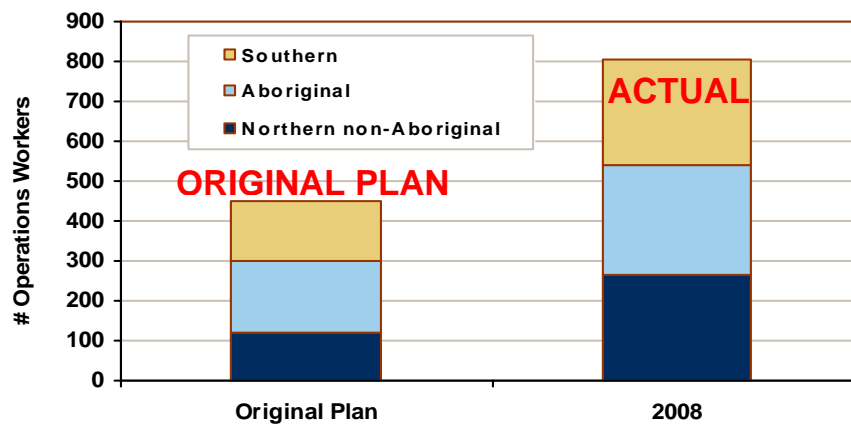
Employment by Community 2008



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 2008, Diavik's operations workforce averaged 808 people. Northern Aboriginal and non-Aboriginal workers, averaging 540, exceeded the entire originally planned workforce of 450. Aboriginal employment, averaging, 273 also exceeded original projections of 180.

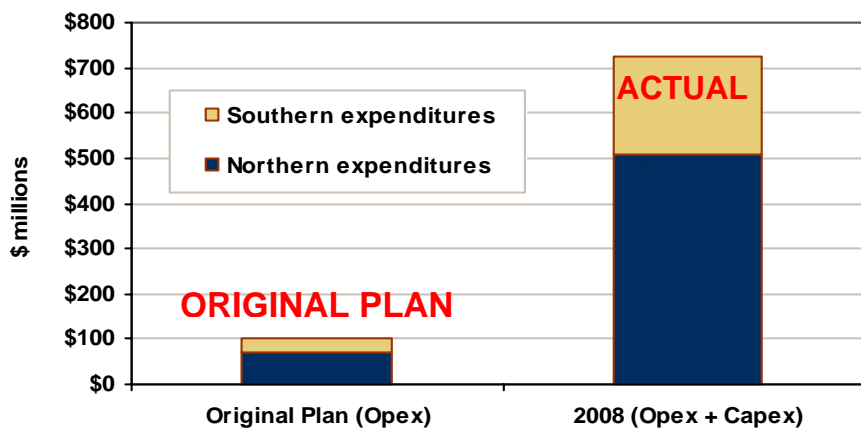
Diavik Operations Employment: Plan vs Actual



Business spending also exceeds plan

During the mine's original approval process, Diavik committed to spend approximately \$100 million annually to support mining operations. In 2008, a year in which underground mine construction continued, Diavik spent significantly more than this at \$724.7 million for combined operating and new capital expenses. Of this, \$509.4 million, or 70 per cent, was with northern companies.

Diavik Annual Expenditure: Plan vs Actual



Section A: Northern employment data

Northern employment for operations

Diavik's operations employment objective¹ is 66 per cent northern with Aboriginal employees comprising 40 per cent. Table 1 provides the average number of Diavik operations workers² and the per cent of total by priority group³ for the operation of the Diavik Diamond Mine in 2008, during which, Diavik's operations workforce averaged 808 workers. This compares to an operations workforce projected at 400 ± 50 during the mine's project approval process in the late 1990's. Socio-economic studies⁴ of the northern workforce at that time suggested that as many as 300 operations workers could be northern and 180 Aboriginal.

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

	Jan - Mar	Apr - Jne	Jul - Sep	Oct - Dec	2008
	(Number)				
Total	794	798	801	838	808
Aboriginal	264	264	269	293	273
Non-Aboriginal	267	269	261	272	267
Subtotal	530	533	530	565	540
Other	264	265	271	273	268
	(Per cent)				
Total	100%	100%	100%	100%	100%
Aboriginal	33%	33%	34%	35%	34%
Non-Aboriginal	34%	34%	33%	32%	33%
Subtotal	67%	67%	66%	67%	67%
Other	33%	33%	34%	33%	33%

¹ 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.

² 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.

³ 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.

⁴ Diavik Socio-Economic Environmental Effects Report (SEER) on which the SEMA was based.

Operating employment by community

Table 2 provides the Diavik Diamond Mine operations workforce by residence in 2008. On average there were 808 Diavik workers during the period and 525 (65 per cent) lived in the Northwest Territories or West Kitikmeot region of Nunavut.

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

	Jan-Mar	Apr-June	Jul-Sep	Oct - Dec	2008	2008 (Per cent)
Total	794	798	801	838	808	100%
Behchoko	36	38	40	45	40	5%
Deline	1	1	2	2	2	0%
Dettah	1	1	1	1	1	0%
Fort Good Hope	1	1	1	1	1	0%
Fort Providence	4	4	4	2	4	0%
Fort Resolution	13	12	12	11	12	1%
Fort Simpson	3	3	3	4	3	0%
Fort Smith	26	26	25	26	26	3%
Gameti	6	5	6	5	6	1%
Hay River	59	57	55	60	58	7%
Inuvik	1	2	2	1	1	0%
Lutsel K'e	5	2	3	2	3	0%
Norman Wells	1	1	1	1	1	0%
Wekweti	3	3	3	2	3	0%
What Ti	5	5	5	10	6	1%
Yellowknife	342	348	349	368	352	44%
Kugluktuk	7	7	7	9	7	1%
Subtotal Northern	514	519	519	550	525	65%
Alberta	163	161	163	165	165	20%
Other Canada	117	119	119	124	124	15%
Subtotal Southern	280	280	282	288	280	35%

New hires by priority group for operations phase

Table 3 provides the number of new hires by priority group for Diavik Diamond Mine operations during 2008. Diavik and its contractors hired 54 workers during 2008. Of the total, 36 (67 per cent) were northern.

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

	Jan-Mar	Apr-Jne	Jul-Sep	Oct-Dec	2008 Total
	(Number)				
Total	18	11	14	11	54
Northern Aboriginal	5	2	3	4	14
Northerner (+6 mos)	5	4	4	4	18
Northerner (-6 mos)	0	2	2	1	4
Subtotal Northern	10	8	9	9	36
Other Canadian	8	3	5	2	18
	(Per cent)				
Total	100%	100%	100%	100%	100%
Northern Aboriginal	29%	18%	24%	28%	26%
Northerner (+6 mos)	28%	41%	33%	42%	33%
Northerner (-6 mos)	0%	15%	12%	10%	7%
Subtotal Northern	57%	74%	68%	80%	67%
Other Canadian	43%	26%	32%	20%	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 2008, during which Diavik's total operations workforce averaged 808 people. The total was comprised of 23 management, 111 professional, 259 skilled, 329 semi-skilled, and 86 entry level workers. Of the respective categories, northerners accounted for 100 per cent of management, 59 per cent of professional, 41 per cent of skilled, 84 per cent of semi-skilled, and 83 per cent of entry level.

- 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 Employment by Job Category and Priority Group

		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2008
Grand Total		794	798	801	838	808
Management	Total	25	23	21	21	23
	Aboriginal	3	2	1	0	2 (6%)
	Non-Aboriginal	22	21	20	21	21 (93%)
	Subtotal	25	23	21	21	23 (100%)
	Other	0	0	1	0	0 (0%)
Professional	Total	110	109	111	115	111
	Aboriginal	11	11	11	12	11 (10%)
	Non-Aboriginal	54	52	53	58	54 (49%)
	Subtotal	65	64	64	70	66 (59%)
	Other	46	45	47	45	46 (41%)
Skilled	Total	259	251	256	270	259
	Aboriginal	49	42	44	50	46 (18%)
	Non-Aboriginal	57	57	63	67	61 (24%)
	Subtotal	107	99	107	117	107 (41%)
	Other	153	152	149	153	152 (59%)
Semi-skilled	Total	310	327	333	345	329
	Aboriginal	152	163	173	193	170 (52%)
	Non-Aboriginal	106	112	106	97	105 (32%)
	Subtotal	258	275	279	290	275 (84%)
	Other	52	52	54	55	53 (16%)
Entry level	Total	90	88	80	87	86
	Aboriginal	46	46	40	44	44 (51%)
	Non-Aboriginal	28	27	25	29	27 (32%)
	Subtotal	74	73	66	73	71 (83%)
	Other	16	15	14	14	15 (17%)

Employment by contractor and priority group for operations

Table 5 provides 2008 year-end employment by company and priority group. DDMI employed 449 people, with 282 people (63%) northern. I&D employed 185 people, with 164 people (89%) northern. Tli Cho Logistics employed 120 people, with 73 people (61%) northern. Ek'ati Services employed 58 people, with 48 people (83%) northern. Denesoline Western employed 11 people, with five people (45%) northern. All remaining operations contractors employed 40 people, with 22 people (55%) northern. Overall, at year-end 2008, DDMI and its contractors employed 863 people, of which 594 people, or 69%, were northern.

Table 5: Diavik Diamond Mine Operations Phase		
Employee by Priority Group by Contractor at 31 December 2008		
Diavik Diamond Mines Inc. Total		449
	Aboriginal	106 (24%)
	Non-Aboriginal	176 (39%)
	Subtotal	282 (63%)
	Other	167 (37%)
I&D Management Total		185
	Aboriginal	130 (70%)
	Non-Aboriginal	34 (18%)
	Subtotal	164 (89%)
	Other	21 (11%)
Tli Cho Logistics Total		120
	Aboriginal	46 (38%)
	Non-Aboriginal	27 (23%)
	Subtotal	73 (61%)
	Other	47 (39%)
Ek'ati Services Total		58
	Aboriginal	22 (38%)
	Non-Aboriginal	26 (45%)
	Subtotal	48 (83%)
	Other	10 (17%)
Denesoline Western Explosives Total		11
	Aboriginal	3 (27%)
	Non-Aboriginal	2 (18%)
	Subtotal	5 (45%)
	Other	6 (55%)
All Other Operations Contractors Total		40
	Aboriginal	7 (18%)
	Non-Aboriginal	15 (38%)
	Subtotal	22 (55%)
	Other	18 (45%)
Overall Year-end Operations Workforce Total		863
	Aboriginal	314 (36%)
	Non-Aboriginal	280 (32%)
	Subtotal	594 (69%)
	Other	269 (31%)

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. Diavik works with contractors to ensure their policies and procedures are aligned with those of Diavik Diamond Mines Inc., and that they also help Diavik meet its many commitments (section B of this report contains further details). 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 employees⁵ and the per cent of total by priority group⁶ for major capital (underground mine construction) work undertaken at the Diavik Diamond Mine in 2008. Diavik and its contractors employed an average of 628 workers for capital projects in 2008. This is in addition to employment to maintain mining operations. On average there were 26 Aboriginal and 40 non-Aboriginal northern workers accounting for 10 per cent of total employment over this period. Others comprised an average of 563 (90 per cent) of construction employees in 2008.

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

	Jan-Mar	Apr-Jne	Jul-Sep	Oct-Dec	2008
	(Number)				
Total	343	734	692	744	628
Aboriginal	20	25	28	31	26
Non-Aboriginal	44	48	35	32	40
Subtotal	64	73	62	63	66
Other	279	661	630	681	563
	(Per cent)				
Total	100%	100%	100%	100%	100%
Aboriginal	6%	3%	4%	4%	4%
Non-Aboriginal	13%	7%	5%	4%	6%
Subtotal	19%	10%	9%	8%	10%
Other	81%	90%	91%	92%	90%

⁵ 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 average annual number of employees equals person-years of employment.

⁶ 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.

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 purchase⁷ at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been significantly higher and 2008 operating and capital expenditures totalled \$724.7 million. Of this, \$509.4 million, or 70 per cent, was with northern companies (Table, 7, 10, and Chart 1).

Diavik 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 several long-term 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 which supplies heavy equipment operators, Ek'ati Services which supplies catering and camp services, Tli Cho Logistics which supplies site services, SecureCheck which supplies security, and explosives supplier 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. 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, including execution plan
- Business plan, including northern participation execution plan
- Business process improvement plan
- Contractor-specific key performance indicators – based on each of the above elements as well as Contractor performance.

⁷ 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 2008 include:

- Information sessions and project updates in most 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
 - 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 combined operations and capital spending by priority group during 2008. Table 8 presents a sample of northern and northern Aboriginal businesses supporting Diavik in 2008.

In 2008, Diavik's combined operations and capital expenditures were \$724.7 million. The value of spending with northern businesses was \$509.4 million (70 per cent). Spending with Aboriginal businesses was \$253.6 million (35 per cent). Spending with Northern non-Aboriginal business was \$255.8 million (35 per cent). Other businesses accounted for the remaining \$215.3 million (30 per cent).

Table 7: Diavik Diamond Mine Operations Phase

Diavik Expenditures by Priority Group in 2008

Business Priority Group	January to June	July to December	Total
	(Millions of Dollars)		
Total	385,786	338,966	724,752
Aboriginal	131,708	121,901	253,609
Non-Aboriginal	128,706	127,136	255,842
Subtotal Northern	260,414	249,037	509,451
Other	125,372	89,929	215,301
	(Per cent)		
Total	100%	100%	100%
Aboriginal	34%	36%	35%
Non-Aboriginal	33%	38%	35%
Subtotal Northern	68%	73%	70%
Other	32%	27%	30%

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

Northern Businesses	Northern Aboriginal Businesses
Acklands-Grainger Inc.	A&A Technical Services Ltd.
ADCO North Limited	Behchoko Development Corporation
Aon Reed Stenhouse Inc.	Canadian North
Arctic Sunwest Charters	Ek'ati Services Ltd.
Atlas Copco	Exploration Medical Services Ltd.
Aurora Geosciences Ltd.	I&D Management Services Ltd.
Coneco Equipment Ltd.	Kitikmeot Cementation
Danmax Communication Ltd.	Lac De Gras Constructors
EBA Engineering Consultants Ltd.	Nishi Khon SNC Lavalin Inc.
ECL Transportation Ltd.	Northern Metallic Sales
Eecol Electric	Nuna Logistics
First Air	SecureCheck
Finning (Canada) Ltd	Tli Cho Air/Air Tindi
Frontier Mining & Industrial Supplies	Tli Cho Landtran Transport Ltd.
G&G Expediting	Tli Cho Logistics
Golder Associates Ltd.	Western Denesoline Explosives Ltd.
Great Slave Helicopters Ltd.	Metcrete
Imperial Oil Limited	
Inkit Ltd.	
Kinecor Inc.	
Kingland Ford	
Lake Awry Cap & Crest	
Lifeworks Counselling Services	
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	
Northwest Transport Ltd.	
NWT Rock Services	
Northern Metallic Sales	
Northwestern AirLease Ltd.	
Ollerhead & Associates Ltd.	
RTL Robinson Enterprises Ltd.	
Territorial Crane Service Ltd.	
Tundra Transfer	
Wajax Industries Ltd.	

Section C: capital and operating summaries

Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in January 2003. In 2008, in addition to commercial operations, workers continued to construct the underground mine. Table 9 summarizes employment results achieved by Diavik and its contractors from 2000 through 2008.

Table 9: Diavik Diamond Mine Historical Data										
Total Employees by Priority Group										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-08
	(Average Number of Employees)									
Total Employment	297	1,031	1,114	611	719	1,085	1,068	1,286	1,436	8,647
Aboriginal	78	245	214	221	259	290	272	299	298	2,176
Non-Aboriginal	87	182	268	223	258	296	292	311	307	2,224
Subtotal	165	427	482	444	517	586	564	609	606	4,400
Other	132	604	632	167	202	499	504	693	831	4,264
Total Operating	0	0	0	611	719	727	735	773	808	4,373
Aboriginal	0	0	0	221	259	256	245	260	273	1,514
Non-Aboriginal	0	0	0	223	258	257	253	268	267	1,526
Subtotal	0	0	0	444	517	513	497	527	540	3,038
Other	0	0	0	167	202	214	238	262	268	1,351
Total Capital*	297	1,031	1,114	0	0	358	333	513	628	4,274
Aboriginal	78	245	214	0	0	33	27	39	26	626
Non-Aboriginal	87	182	268	0	0	40	40	43	40	700
Subtotal	165	427	482	0	0	73	67	82	66	1,362
Other	132	604	632	0	0	285	266	431	563	2,913
	(Per cent)									
Total Employment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	25%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	26%
Subtotal	56%	41%	43%	73%	72%	54%	53%	50%	45%	51%
Other	44%	59%	57%	27%	28%	46%	47%	50%	55%	49%
Total Operating	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	34%	35%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	33%	35%
Subtotal	0%	0%	0%	73%	72%	71%	68%	66%	67%	69%
Other	0%	0%	0%	27%	28%	29%	32%	34%	33%	31%
Total Capital	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	15%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	16%
Subtotal	56%	41%	43%	0%	0%	20%	20%	16%	10%	32%
Other	44%	59%	57%	0%	0%	80%	80%	84%	90%	68%
2003 and 2004 capital employment with Total										

Capital employment

For the initial construction phase of the project (2000-2002), included in Table 9, Diavik undertook⁸ 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 throughout 2008. Construction over the period 2005-2008 employed an average of 458 workers annually, of whom an average of 72 people (16 per cent) were northern. Of the 72 northerners, an average of 31 people (seven per cent) were Aboriginal.

In 2008, Diavik's construction workforce averaged 628 workers, of which 66 (10 per cent) were northern.

Capital and operations business spending

Table 10 describes Diavik's historical capital and operations business expenditures. Diavik undertook⁹ that throughout the capital or construction phase of the project that at least 38 per cent of the total capital expenditures would be with 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 DDML 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.

From the start of operations in 2003 through 2008, Diavik spent a total of \$2.9 billion of which \$2.1 billion (73 per cent) was northern and \$1.1 billion (39 per cent) was northern Aboriginal.

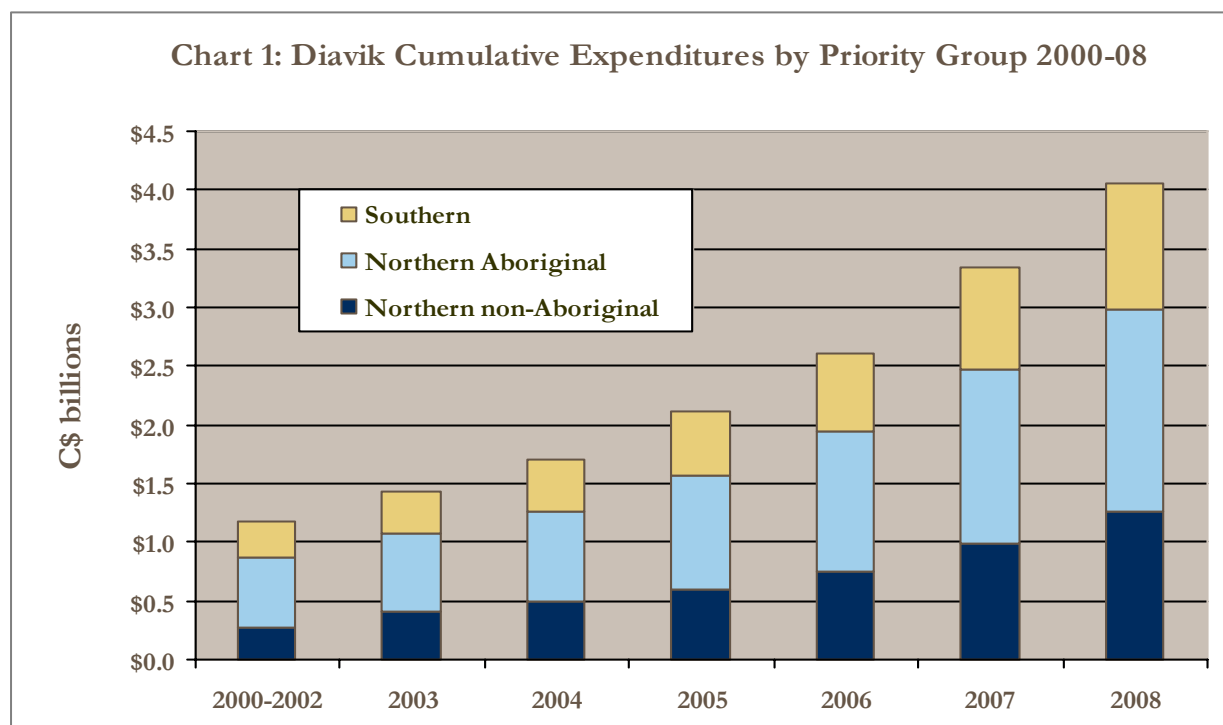
In summary, when all expenditures from 2000 through 2008 are combined (Table 10 and Chart 1), Diavik has spent a total of \$4.1 billion, of which \$3.0 billion (73 per cent) with northern business. Of the \$3.0 billion, some \$1.7 billion (42 per cent) is with Aboriginal business. As a result of increased annual operations spending, and major capital investment throughout the project life, Diavik has significantly exceeded its northern purchasing target and expenditures.

⁸ 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 Phases
Annual and Cumulative Expenditures by Priority Group**

	Capital Phase		Operating Phase						All phases grand total	
	2000-02	2003	2004	2005	2006	2007	2008	2003-08	2000-2008	
Annual Expenditures (Millions of Dollars)										
Total	1,184	252	269	415	492	727	725	2,880	4,064	
Northern Aboriginal	604	71	96	203	223	276	254	1,123	1,727	
Other Northern	270	131	87	108	156	245	256	983	1,253	
Subtotal Northern	874	202	183	311	379	521	509	2,105	2,979	
Other Canadian	310	50	87	104	113	206	215	775	1,085	
(Per cent)										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Northern Aboriginal	51%	28%	35%	49%	45%	38%	35%	39%	42%	
Other Northern	23%	52%	32%	26%	32%	34%	35%	34%	31%	
Subtotal Northern	74%	80%	68%	75%	77%	72%	70%	73%	73%	
Other Canadian	26%	20%	32%	25%	23%	28%	30%	27%	27%	

Chart 1: Diavik Cumulative Expenditures by Priority Group 2000-08



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, Diavik carries out training on overhead cranes, small loaders, aerial work platforms, technology systems, and 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 and equipment-specific training initiatives
- Continuous business improvement processes such as 6 Sigma™
- Integrated process management
- Industrial standard first aid
- Level I and II mine safety certification
- Environmental management systems
- Mine rescue certification
- Blasting certification
- Delta-V process control
- Underground miner

Workplace learning centre

Diavik operates a Workplace Learning Centre at the mine site. Staffed by two workplace adult educators working full time on a rotation basis, the centre is intended to help workers interested in advancing their education and their career opportunities. The instructors' focus is on workplace essential skills, and skills profiles have been developed for entry-level positions including process plant operator, site services surface worker, warehouse technician, and heavy equipment operator. In addition, the Workplace Learning Centre is the first point of contact for new employees and contractors. The adult educators provide assistance to all new hires as they complete the on-line Diavik Safety Training System (DSTS) program.

Underground transition pilot program

In recognition of the increasing role that underground mining will play in future mining operations, eight Aboriginal heavy equipment operators from contractor I&D Management Services were offered an opportunity to experience underground mining first hand through three, two-week rotations with underground contractor Kitikmeot Cementation Mining & Development's construction and development crews. This marks the first such exercise in preparing for Diavik's transition from open pit to underground mining.

Aboriginal leadership development program

Diavik employs several northern Aboriginal people in supervisory and management positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, in 2004 Diavik developed an Aboriginal Leadership Development 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, some 42 individuals have completed the program. All graduates receive a certificate from SAIT recognizing their achievement. Since inception, approximately one-third of program graduates have advanced in their careers.

Skilled trades

Diavik has committed to train from eight to 18 apprentices annually. Since the beginning of operations, 14 northerners have successfully completed their apprenticeships and achieved Journeyperson certification from the Government of the Northwest Territories. As of year-end 2008 there were 19 northern apprentices working towards certifications in the following trades:

Trade Type	DDMI	Tlicho	Kingland	Ekati	Total
		Logistics	Ford	Services	
Electrical	2	1	-	-	3
Food Services	-	-	-	2	2
Heavy Duty Technician	4	1	-	-	5
Instrumentation Technician	2	-	-	-	2
Light Duty Mechanics	-	-	2	-	2
Mobile Crane Operator	-	1	-	-	1
Millwright	-	1	-	-	1
Welding	-	3	-	-	3
Total	8	7	2	2	19

Journeyperson Certifications

In 2008, four Diavik apprentices completed their training achieving journeyperson certification including:

- Lisa Alexander, Cook (Ekati Services)
- Travis Wood, Heavy Duty Mechanic (Kingland Ford)
- Matthew Stevely, Heavy Duty Equipment Technician (Tli Cho Logistics)
- Einar Dautel, Heavy Duty Mechanic (DDMI)

A total of 17 Diavik apprentices have now successfully completed their apprenticeships and achieved journeyperson certifications. Others at Diavik who have attained journeyperson certifications include:

- Sean Ehman, Millwright 2007 (DDMI)
- Fred Steinwand, Electrician 2007 (Tli Cho Logistics)
- Jesse Lepine, Instrumentation Technician 2007 (DDMI)
- Delmer Bonnetrouge, Electrician, 2006 (DDMI)
- Geoffrey Chambers, Instrumentation, 2006 (DDMI)
- Robert Lafferty, Welder, 2006 (DDMI)
- Jasper Lamouelle, Instrumentation Technician 2006 (DDMI)
- Robert Laviolette, Welder, 2006 (DDMI)
- J.J. Marinic, Millwright, 2006 (DDMI)
- Shaun Roblin, Electrician, 2006 (DDMI)
- Brad Tricoteux, Electrician, Red Seal 2006 (Tli Cho Logistics)
- Ken Moore, Heavy Duty Mechanic, 2004 (DDMI)
- Josh Plowman, Heavy Equipment, 2004 (Tli Cho Logistics)

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 approximately \$15 million of ASEP funding in addition to the resources available from others. 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 major diamond mining companies, and the territorial government with observers from the regional HRSDC office. The purpose of ASEP is to increase the number of northern Aboriginal people participating in mining industry.

In 2008, Diavik continued to leverage resources available through the MTS partnership to train Aboriginal candidates in heavy duty technicians and mining administration assistance. Diavik contractors also participate and are being trained at the mine site. The following programs receive MTS funding:

Apprenticeships (heavy equipment technician)

Four heavy duty mechanic apprentices successfully completed their level 2 academic 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 (MTS).

Apprenticeships (contractor support)

Diavik provided financial, in-kind and journeyman/mentor support for eleven 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, light duty mechanics, 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

Diavik continues to participate with MTS' underground miner training program in partnership with Kitikmeot Cementation Mining and Development (KCMD), Diavik's underground mining contractor. In support of developing additional northern capacity, Diavik contributed towards the development of a holistic underground miner training program. The current program evolved from the initial 18 month program developed in 2005. The current program consists of three parts outline below.

Part I is six weeks Ready to Work North that has been modified to include the life and work skills required to work in a rotational setting, i.e., 4&3, 2&2, 3&3. This is community-based and is delivered by the adult educators in various Aurora College community learning centres. Part II is 12 weeks of academic training that familiarizes the trainees with the lexicon and knowledge of underground safe work practices, mining methods and procedures. It also includes time on an underground equipment simulator and hands-on training on actual underground equipment they will be expected to operate like the haul truck, scoop tram and nipper. Part III is 12 weeks of on the job training and is made up of four rotations of three weeks at work and three weeks at home. Trainees are picked up and dropped off from their home community just as a regular employee. Those trainees that successfully complete all three parts are offered employment by the host company.

Administrative support

Diavik provided two 2-week job placements for two mining administrative assistant students studying under the ASEP program. The placements included a two-week rotation at the mine site or an opportunity to experience work in the corporate office. It also provided prospective employers within Diavik the opportunity to see first-hand the skills and abilities of these potential employees. The students are enrolled in an eight-month Aurora College mining administrative support program.

Summer student placement

Diavik provided 19 northern post-secondary students with work experience just after their winter semester. The students, of whom five were Aboriginal, worked throughout the operation, both at the mine site and at the corporate office. Efforts were made to place the students into positions that matched their field of study.

Section E: 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:

- In 2008, 136 recipients received \$215,000 in Diavik scholarship awards. Since inception in 2001, the Diavik scholarship program has awarded over \$1.4 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 Affairs department representatives attend special events like assemblies, elders' funerals, and significant community and cultural events.
- Mine tours for Aboriginal elders, women, and students.
- Collaborated with Yellowknives Dene First Nation and Diavik Community Advisory Board to conduct studies and surveys with our employees to assist in development of indicators for reporting on social impact issues.
- Donations program.
- Comprehensive community relations program.