

Diavik Diamond Mine

2010 mid year socio-economic monitoring agreement  
report

29 July 2010

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# Introduction

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

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

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

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

This report is for 1 January 2010 to 30 June 2010 and is in five sections covering employment data, business benefits, capital and operating summaries, workforce development, and cultural and community well-being legacy initiatives.

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

## 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. The Diavik mine plan includes three diamond bearing ore bodies, or kimberlite pipes, named A154 North, A154 South, and A418. All three pipes were located beneath the waters of Lac de Gras, just offshore of East Island. For open pit mining, rockfill structures known as dikes were engineered and constructed to allow the overlying waters to be removed temporarily. In 2002, Diavik completed the first dike around the A154 North and A154 South pipes to allow diamond mining to begin in 2003. In 2007, Diavik completed construction of the second dike, called A418 after the name of the pipe that it encircles.

In February 2010, production and processing of kimberlite ore mined from Diavik's new underground mine commenced. Under the current life of mine plan, diamond production from underground is projected to continue beyond 2020. Open pit mining, which continued in first half 2010 in the A154 and A418 open pits, 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.

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, water treatment plant, explosives manufacturing facilities, paste backfill and crusher plants for underground, and powerhouses. Elevated 'arctic corridors' carry services and provide enclosed walkways connecting buildings.

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, Diavik stores a 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.

## 2010 half year reporting period highlights

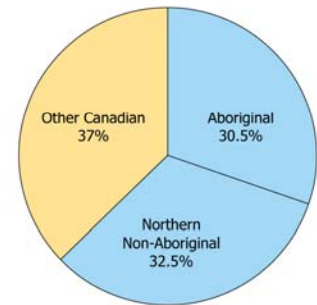
- Through 30 June 2010, there were no reportable injuries or medical treatments at Diavik. Our lost time injury and all incident frequency rates were the best achievable at 0.00. At mid year, Diavik's workforce has accumulated over 200 consecutive injury free days. This excellent safety performance builds upon our 2009 safety results which were our best since production started in 2003.
- For our 2009 safety performance, we were in May of 2010 awarded a prestigious national John T. Ryan safety trophy.
- Hiring for the underground operation commenced in earnest during the first half of 2010. As expected access to skilled underground labour in the North has proven problematic and due to this shortage southern labour has been recruited. This has led to a decline in our northern and Aboriginal employment percentages, currently 63% and 31% respectively. However, in recognition of this challenge and due to our commitment to our SEMA target, we have initiated a new northern workforce recruitment and development strategy. Our strategy includes several northern workforce initiatives. These include more apprenticeships, new recruitment campaigns in northern communities, and working with the Government of the Northwest Territories on the training landscape in the North and reviewing the feasibility of new northern community pickup points.
- Construction of the new Aven Cottage territorial dementia facility, a project in which Diavik was pleased to participate, was successfully completed and grand opening celebrations were held in February.
- In other community initiatives, Diavik continued its lead sponsorship of the Diavik 150 Canadian Championship Dog Derby. As well, Diavik staff participated in community events including the Aven Cottage territorial dementia facility grand opening, the NWT and Nunavut Chamber of Mines miner's picnic, and the Angler Young Angler catch and release fishing tournament.
- Diavik's mine rescue team, comprised of members of the Diavik mine site emergency response team, participated in the annual mine rescue competition winning two events.
- Operations employment averaged 872 workers. Northern and Aboriginal employment, averaged 551 (63%) and 267 (31%) respectively.
- At mid year, 16 trades apprentices were working at Diavik, of which 14 are northern and 11 are Aboriginal.
- Three apprentices working at the Diavik Diamond Mine completed apprenticeship training achieving journeyman designation. Since 2003, 21 people have successfully completed their apprenticeships at Diavik.
- Northern business spending of \$103.7 million (67%).
- Cumulative spending since 2000 reached \$4.6 billion, of which \$3.3 billion (72%) was with northern firms. By mid year 2010, Aboriginal business spending reached \$1.9 billion (41% of the overall spending since construction began).
- In March, Diavik completed a successful ice road program shipping 1,344 loads (39,778 tonnes) to the mine site. In total, all users transported 3,506 loads (121,000 tonnes) northbound over this year's winter road with 424 backhauls.
- For the six months, rough diamond production was 3.2 million carats.

## Operations highlights

### 2010 half year employment by priority group

- Workforce averaged 872 workers
- Northern employment averaged 551 (63%)
- Aboriginal employment averaged 267 (31%)

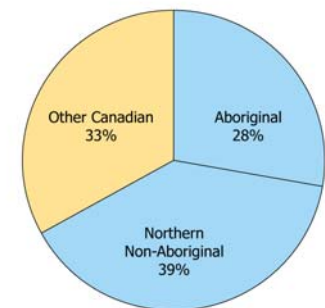
Operations employment  
first half 2010



### 2010 half year business spending

- \$154.8 million on capital and operating expenses
- \$103.7 million (67%) on northern business
- \$43.9 million (28%) on northern Aboriginal business
- \$59.8 million (39%) on northern non-Aboriginal business

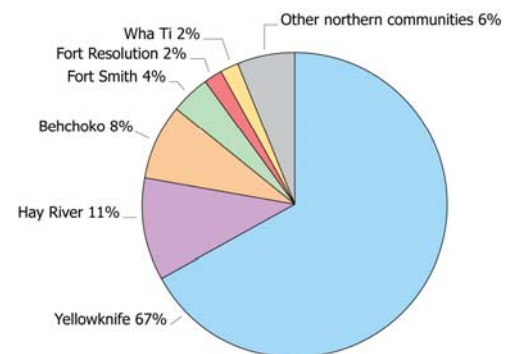
Spending  
first half 2010



### 2010 half year employment by northern community

- An average of 367 workers resided in Yellowknife
- 59 workers resided in Hay River
- 42 workers resided in Behchoko
- 23 workers resided in Fort Smith
- 13 workers lived in Fort Resolution
- 11 workers lived in Wha Ti
- 33 lived in various other northern communities

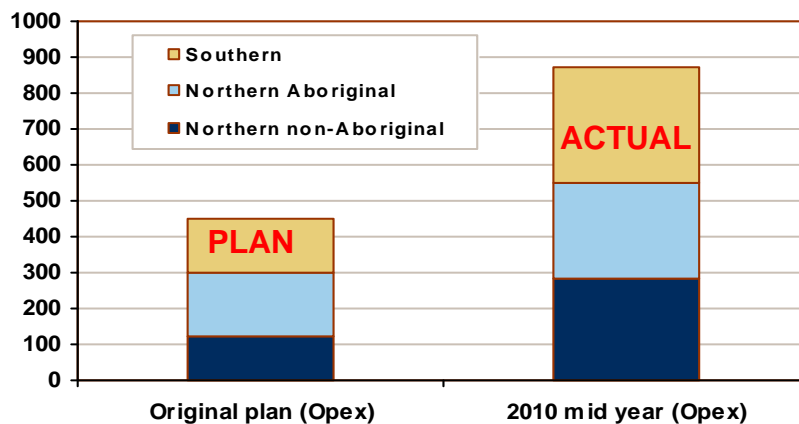
Employment by  
northern community  
first half 2010



## 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. For first half 2010, Diavik's operations workforce averaged 872 people. Northern Aboriginal and non-Aboriginal workers, averaging 551, exceeded the entire originally planned workforce of 450. Aboriginal employment, averaging 267 also exceeded original projections of 180.

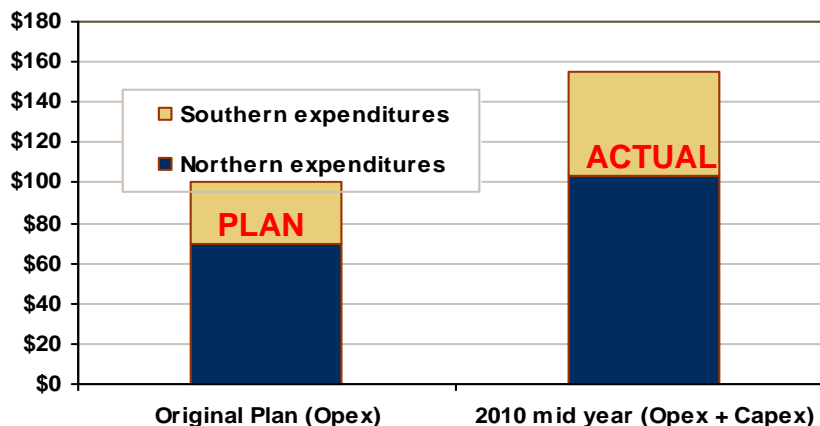
**Diavik Operations Employment: Plan vs Actual**



## Business spending also exceeds plan

During the mine's original approval process, Diavik committed to spend approximately \$100 million annually to support mining operations. During first half 2010, a period in which underground mine construction continued, Diavik spent \$154.8 million for combined operating and new capital expenses. Of this total, \$103.7 million, or 67 per cent, was on northern companies.

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



## Section A: northern employment data

### Northern employment for operations

Diavik's operations employment objective<sup>1</sup> is 66 per cent northern with Aboriginal employees comprising 40 per cent. Table 1 provides the average number of Diavik operations workers<sup>2</sup> and the per cent by priority group<sup>3</sup> for first half 2010. In first half, Diavik's operations workforce increased to 872. Northern employment averaged 551 (63 per cent). Aboriginal employment averaged 267 (31 per cent).

Hiring for the underground operation commenced in earnest during the first half of 2010. As expected access to skilled underground labour in the North has proven problematic and due to this shortage southern labour has been recruited. This has led to a decline in our northern and Aboriginal employment percentages, currently 63 per cent and 31 per cent respectively. However, in recognition of this challenge and due to our commitment to our SEMA target, we have initiated a new northern workforce recruitment and development strategy. Our strategy includes several northern workforce initiatives. These include more apprenticeships, new recruitment campaigns in northern communities, and working with the Government of the Northwest Territories on the training landscape in the North, and reviewing the feasibility of new northern community pickup points.

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

	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	2010 *
	(Number)				
<b>Total</b>	863	881	0	0	872
Aboriginal	272	261	0	0	267
Non-Aboriginal	280	289	0	0	284
<b>Subtotal Northern</b>	<b>552</b>	<b>550</b>	<b>0</b>	<b>0</b>	<b>551</b>
Other	310	331	0	0	321
	(Per cent)				
<b>Total</b>	100%	100%	0%	0%	100%
Aboriginal	32%	30%	0%	0%	31%
Non-Aboriginal	32%	33%	0%	0%	33%
<b>Subtotal Northern</b>	<b>64%</b>	<b>62%</b>	<b>0%</b>	<b>0%</b>	<b>63%</b>
Other	36%	38%	0%	0%	37%

\* Based on Q1 and Q2

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

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

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

## Operating employment by community

Table 2 provides the Diavik Diamond Mine operations workforce by residence for first half 2010. On average there were 872 Diavik workers during the period of which 548 (63 per cent) lived in Northwest Territories or West Kitikmeot communities.

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

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2010 *	2010 (Per cent)
Total	863	881	0	0	872	100%
Behchoko	41	42	0	0	42	5%
Deline	2	2	0	0	2	0%
Dettah	1	1	0	0	1	0%
Enterprise	1	1	0	0	1	0%
Fort Good Hope	1	1	0	0	1	0%
Fort Providence	3	3	0	0	3	0%
Fort Resolution	13	13	0	0	13	1%
Fort Simpson	6	6	0	0	6	1%
Fort Smith	24	23	0	0	23	3%
Gameti	4	5	0	0	5	1%
Hay River	59	58	0	0	59	7%
Inuvik	2	1	0	0	2	0%
Lutsel K'e	2	2	0	0	2	0%
N'dilo	2	2	0	0	2	0%
Norman Wells	1	1	0	0	1	0%
Wekweti	2	2	0	0	2	0%
Wha Ti	12	11	0	0	11	1%
Yellowknife	367	366	0	0	367	42%
Kugluktuk	7	7	0	0	7	1%
<b>Subtotal Northern</b>	<b>550</b>	<b>547</b>	<b>0</b>	<b>0</b>	<b>548</b>	<b>63%</b>
Alberta	157	159	0	0	158	18%
Other Canada	156	176	0	0	166	19%
Subtotal Southern	313	334	0	0	324	37%

\* Based on Q1 and Q2

## New hires by priority group for operations

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

<b>Table 3: Diavik Diamond Mine Operations Phase New Hires by Priority Group</b>					
	Jan-Mar	Apr-Jun	Jul-Sep (Number)	Oct-Dec	2010 *
<b>Total</b>	<b>30</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>48</b>
Northern Aboriginal	6	3	0	0	9
Northern (+6 mos)	9	2	0	0	11
Northern (-6 mos)	1	2	0	0	3
<b>Subtotal Northern</b>	<b>18</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>26</b>
Other Canadian	12	11	0	0	22
			(Per cent)		
<b>Total</b>	100%	100%	100%	100%	100%
Northern Aboriginal	17%	6%	0%	0%	19%
Northern (+6 mos)	29%	11%	0%	0%	23%
Northern (-6 mos)	11%	8%	0%	0%	6%
<b>Subtotal Northern</b>	<b>58%</b>	<b>24%</b>	<b>0%</b>	<b>0%</b>	<b>53%</b>
Other Canadian	42%	43%	0%	0%	47%

\* Based on Q1 and Q2

## 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 first half 2010, during which Diavik's total operations workforce averaged 872 people. The total was comprised of 18 management, 106 professional, 316 skilled, 302 semi-skilled, and 132 entry level workers.

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

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

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

		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2010 *
Grand Total		863	881	0	0	872
<b>Management</b>	<b>Total</b>	<b>20</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>18</b>
	Aboriginal	0	0	0	0	0 (0%)
	Non-Aboriginal	20	15	0	0	18 (100%)
	<b>Subtotal Northern</b>	<b>20</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>18 (100%)</b>
	Other	0	0	0	0	0 (0%)
<b>Professional</b>	<b>Total</b>	<b>102</b>	<b>109</b>	<b>0</b>	<b>0</b>	<b>106</b>
	Aboriginal	6	6	0	0	6 (6%)
	Non-Aboriginal	54	56	0	0	55 (52%)
	<b>Subtotal Northern</b>	<b>60</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>61 (58%)</b>
	Other	42	47	0	0	44 (42%)
<b>Skilled</b>	<b>Total</b>	<b>303</b>	<b>328</b>	<b>0</b>	<b>0</b>	<b>316</b>
	Aboriginal	41	39	0	0	40 (13%)
	Non-Aboriginal	78	90	0	0	84 (27%)
	<b>Subtotal Northern</b>	<b>119</b>	<b>129</b>	<b>0</b>	<b>0</b>	<b>124 (39%)</b>
	Other	184	199	0	0	192 (61%)
<b>Semi-skilled</b>	<b>Total</b>	<b>306</b>	<b>297</b>	<b>0</b>	<b>0</b>	<b>302</b>
	Aboriginal	160	151	0	0	156 (52%)
	Non-Aboriginal	89	88	0	0	88 (29%)
	<b>Subtotal Northern</b>	<b>249</b>	<b>239</b>	<b>0</b>	<b>0</b>	<b>244 (81%)</b>
	Other	57	58	0	0	58 (19%)
<b>Entry level</b>	<b>Total</b>	<b>131</b>	<b>132</b>	<b>0</b>	<b>0</b>	<b>132</b>
	Aboriginal	65	65	0	0	65 (50%)
	Non-Aboriginal	38	39	0	0	39 (30%)
	<b>Subtotal Northern</b>	<b>104</b>	<b>104</b>	<b>0</b>	<b>0</b>	<b>104 (79%)</b>
	Other	27	28	0	0	28 (21%)

\* Based on Q1 and Q2

## Employment by contractor and priority group for operations

Table 5 provides employment by company and priority group for first half 2010. DDMI employed 494 people, with 296 people (60%) northern. I&D Management employed 136 people, with 118 people (87%) northern. Tli Cho Logistics employed 104 people, with 61 people (59%) northern. Bouwa Whee Catering employed 96 people, with 71 people (74%) northern. Denesoline Western Explosives employed 4 people, with 2 people (50%) northern. Other contractors employed 39 people, with 4 people (10%) northern.

**Table 5: Diavik Diamond Mine Operations Phase  
Employee by Priority Group by Contracting Company**

	Jan - Mar		Apr - Jun		Jul - Sep		Oct - Dec		2010 *	
<b>DDMI</b>	<b>488</b>	<b>100%</b>	<b>500</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>494</b>	<b>100%</b>
Aboriginal	104	21%	100	20%	0	0%	0	0%	102	21%
Non-Aboriginal	192	39%	195	39%	0	0%	0	0%	193	39%
<b>Subtotal Northern</b>	<b>296</b>	<b>61%</b>	<b>295</b>	<b>59%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>296</b>	<b>60%</b>
Other	192	39%	205	41%	0	0%	0	0%	198	40%
<b>I &amp; D Management</b>	<b>137</b>	<b>100%</b>	<b>135</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>136</b>	<b>100%</b>
Aboriginal	90	66%	85	63%	0	0%	0	0%	87	64%
Non-Aboriginal	28	21%	32	24%	0	0%	0	0%	30	22%
<b>Subtotal Northern</b>	<b>118</b>	<b>86%</b>	<b>117</b>	<b>87%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>118</b>	<b>87%</b>
Other	19	14%	18	13%	0	0%	0	0%	18	13%
<b>Tli Cho Logistics</b>	<b>105</b>	<b>100%</b>	<b>103</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>104</b>	<b>100%</b>
Aboriginal	37	35%	35	34%	0	0%	0	0%	36	35%
Non-Aboriginal	25	23%	26	25%	0	0%	0	0%	25	24%
<b>Subtotal Northern</b>	<b>62</b>	<b>59%</b>	<b>61</b>	<b>59%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>61</b>	<b>59%</b>
Other	43	41%	42	41%	0	0%	0	0%	43	41%
<b>Bouwa Whee Catering</b>	<b>95</b>	<b>100%</b>	<b>96</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>96</b>	<b>100%</b>
Aboriginal	39	41%	40	41%	0	0%	0	0%	39	41%
Non-Aboriginal	31	33%	32	33%	0	0%	0	0%	32	33%
<b>Subtotal Northern</b>	<b>70</b>	<b>74%</b>	<b>71</b>	<b>74%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>71</b>	<b>74%</b>
Other	25	26%	25	26%	0	0%	0	0%	25	26%
<b>Denesoline Western</b>	<b>4</b>	<b>100%</b>	<b>4</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>100%</b>
Aboriginal	1	25%	1	25%	0	0%	0	0%	1	25%
Non-Aboriginal	1	25%	1	25%	0	0%	0	0%	1	25%
<b>Subtotal Northern</b>	<b>2</b>	<b>50%</b>	<b>2</b>	<b>50%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>2</b>	<b>50%</b>
Other	2	50%	2	50%	0	0%	0	0%	2	50%
<b>Other</b>	<b>33</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>39</b>	<b>100%</b>
Aboriginal	1	3%	1	2%	0	0%	0	0%	1	3%
Non-Aboriginal	3	8%	3	7%	0	0%	0	0%	3	8%
<b>Subtotal Northern</b>	<b>4</b>	<b>12%</b>	<b>4</b>	<b>9%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>10%</b>
Other	30	88%	40	91%	0	0%	0	0%	35	90%
<b>Total</b>	<b>863</b>	<b>100%</b>	<b>881</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>872</b>	<b>100%</b>
Aboriginal	272	32%	261	30%	0	0%	0	0%	267	31%
Non-Aboriginal	280	32%	289	33%	0	0%	0	0%	284	33%
<b>Subtotal Northern</b>	<b>552</b>	<b>64%</b>	<b>550</b>	<b>62%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>551</b>	<b>63%</b>
Other	310	36%	331	38%	0	0%	0	0%	321	37%

\* Based on Q1 and Q2

## Section B: northern business benefits

### **Northern purchasing objective**

During the mine's approval process, Diavik projected that annual purchase of goods and services needed to support mine operations would be \$100 million annually. Consequently, Diavik committed to purchase<sup>4</sup> at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been significantly higher.

### **Northern outsourcing**

To assist in raising northern business capacity, Diavik has outsourced nearly half its operations workforce to contractors. Virtually all are northern businesses and the majority are Aboriginal. The remainder are employed by Diavik Diamond Mines Inc. Diavik believes through outsourcing contracts, northern firms can become better positioned to service other resource-based projects and will outgrow reliance on Diavik. This approach also has the potential to create additional new career opportunities for northerners and assists Diavik in meeting commitments. In addition to outsourced operations contractors, Diavik also utilizes the services of many other northern and Aboriginal firms. For a more comprehensive list of companies supporting Diavik, see Table 7.

### **Northern business participation initiatives**

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

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

Examples of northern contractors supporting Diavik Diamond Mine operations include I&D Management Services (heavy equipment operators), Bouwa Whee Catering (catering and camp services), Tli Cho Logistics (site services), Tli Cho Landtran (freight transport), Tli Cho Air (air transportation), Denesoline Western Explosives (explosives), Frontier Medical Services (medical), and Kitikmeot Cementation and Mining Development (underground mine related development).

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

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

Diavik's continuous business improvement processes and share its multi-faceted performance accountabilities. As part of this initiative, all Diavik contractors are required to prepare business plans that include the following elements:

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

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 first half 2010 include:

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

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 6 gives operations and capital spending by priority group during first half 2010. Table 7 presents a sample of northern and northern Aboriginal businesses supporting Diavik.

In first half 2010, Diavik's combined operations and capital expenditures were \$154.8 million. The value of spending on northern businesses was \$103.7 million (67 per cent). Spending on Aboriginal businesses was \$43.9 million (28 per cent). Spending on northern non-Aboriginal business was \$59.8 million (39 per cent). Other businesses accounted for the remaining \$51.1 million (33 per cent).

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**Table 6: Diavik Diamond Mine Operations and Capital Expenditures by Priority Group (\$ millions)**

<b>Total</b>	<b>154.8</b>
Aboriginal	43.9
Non-Aboriginal	59.8
<b>Subtotal Northern</b>	<b>103.7</b>
Other	51.1
Per cent of Total	100%
Aboriginal	28%
Non-Aboriginal	39%
<b>Subtotal Northern</b>	<b>67%</b>
Other	33%

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**Table 7: Sample of Major Northern Businesses Supporting Diavik by Preference Category**

**Northern Businesses**

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

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

**Northern Aboriginal Businesses**

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

## Section C: capital and operating summaries

Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in January 2003. Table 8 summarizes employment results achieved by Diavik and its contractors from 2000 through mid 2010. Mid year 2009, as part of the mine's transition to the start of underground operations, all workers were counted as operations.

**Table 8: Diavik Diamond Mine Historical Data**  
**Total Employees by Priority Group**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010**	Total 2000- 2010
	(Number)											
<b>Total Employment</b>	<b>297</b>	<b>1,031</b>	<b>1,114</b>	<b>611</b>	<b>719</b>	<b>1,085</b>	<b>1,068</b>	<b>1,286</b>	<b>1,436</b>	<b>1,011</b>	<b>872</b>	<b>10,530</b>
Aboriginal	78	245	214	221	259	290	272	299	298	279	267	2,722
Non-Aboriginal	87	182	268	223	258	296	292	311	307	273	284	2,781
<b>Subtotal Northern</b>	<b>165</b>	<b>427</b>	<b>482</b>	<b>444</b>	<b>517</b>	<b>586</b>	<b>564</b>	<b>609</b>	<b>606</b>	<b>552</b>	<b>551</b>	<b>5,503</b>
Other	132	604	632	167	202	499	504	693	831	459	321	5,044
<b>Total Operating</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>611</b>	<b>719</b>	<b>727</b>	<b>735</b>	<b>773</b>	<b>808</b>	<b>810</b>	<b>872</b>	<b>6,055</b>
Aboriginal	0	0	0	221	259	256	245	260	273	269	267	2,050
Non-Aboriginal	0	0	0	223	258	257	253	268	267	259	284	2,069
<b>Subtotal Northern</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>444</b>	<b>517</b>	<b>513</b>	<b>497</b>	<b>527</b>	<b>540</b>	<b>528</b>	<b>551</b>	<b>4,117</b>
Other	0	0	0	167	202	214	238	262	268	282	321	1,954
<b>Total Capital*</b>	<b>297</b>	<b>1,031</b>	<b>1,114</b>	<b>0</b>	<b>0</b>	<b>358</b>	<b>333</b>	<b>513</b>	<b>628</b>	<b>201</b>	<b>0</b>	<b>4,475</b>
Aboriginal	78	245	214	0	0	33	27	39	26	10	0	672
Non-Aboriginal	87	182	268	0	0	40	40	43	40	14	0	714
<b>Subtotal Northern</b>	<b>165</b>	<b>427</b>	<b>482</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>67</b>	<b>82</b>	<b>66</b>	<b>24</b>	<b>0</b>	<b>1,386</b>
Other	132	604	632	0	0	285	266	431	563	177	0	3,090
	(Per cent)											
<b>Total Employment</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	28%	31%	26%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	27%	33%	26%
<b>Subtotal Northern</b>	<b>56%</b>	<b>41%</b>	<b>43%</b>	<b>73%</b>	<b>72%</b>	<b>54%</b>	<b>53%</b>	<b>50%</b>	<b>45%</b>	<b>55%</b>	<b>63%</b>	<b>52%</b>
Other	44%	59%	57%	27%	28%	46%	47%	50%	55%	45%	37%	48%
<b>Total Operating</b>	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	34%	33%	31%	34%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	33%	32%	33%	34%
<b>Subtotal Northern</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>73%</b>	<b>72%</b>	<b>71%</b>	<b>68%</b>	<b>66%</b>	<b>67%</b>	<b>65%</b>	<b>63%</b>	<b>68%</b>
Other	0%	0%	0%	27%	28%	29%	32%	34%	33%	35%	37%	32%
<b>Total Capital</b>	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%	0%	100%
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	5%	0%	15%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	7%	0%	16%
<b>Subtotal Northern</b>	<b>56%</b>	<b>41%</b>	<b>43%</b>	<b>0%</b>	<b>0%</b>	<b>20%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>12%</b>	<b>0%</b>	<b>31%</b>
Other	44%	59%	57%	0%	0%	80%	80%	84%	90%	88%	0%	69%

\*2003 and 2004 capital employment with Total \*\*Based on Q1 and Q2

## **Capital employment**

For the initial construction phase of the project (2000-2002), included in Table 8, Diavik undertook<sup>5</sup> that at least 40 per cent of total employment, including contractors, would be northerners. During initial construction, employment averaged 814 workers annually of whom 44 per cent (358) were northern and half, or 22 per cent (179), were Aboriginal.

A second round of construction began in 2005 to construct the A418 dike, raise the processed kimberlite containment dam height, and to construct the underground mine. Construction of underground mine and related surface works, continued in first half 2010.

## **Capital and operations business spending**

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

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

In summary, when all expenditures from 2000 through mid 2010 are combined (Table 9 and Chart 1), Diavik has spent a total of \$4.6 billion, of which \$3.3 billion (72 per cent) is on northern business. Of the \$3.3 billion, \$1.9 billion is on Aboriginal business.

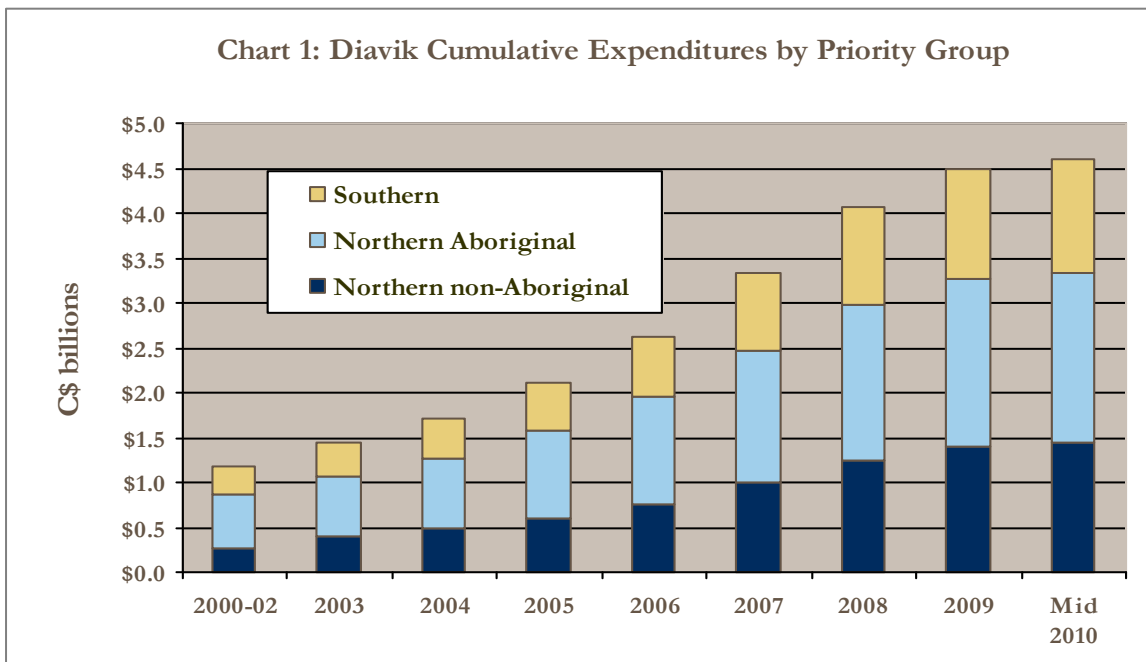
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<sup>5</sup> SEMA Appendix A, part 3(a). The objectives were subject to applicable laws and regulations and the availability of persons in the priority groups with the required skills, training and experience.

**Table 9: Diavik Diamond Mine Capital and Operations Annual and Cumulative Spend by Priority Group**

	Capital					Operating					Total
	2000-02	2003	2004	2005	2006	2007	2008	2009	2010*		
	(Millions of dollars)										
<b>Total</b>	<b>1,184</b>	<b>244</b>	<b>231</b>	<b>410</b>	<b>487</b>	<b>727</b>	<b>725</b>	<b>432</b>	<b>155</b>	<b>4,595</b>	
Northern Aboriginal	604	66	71	197	224	276	254	145	44	1,881	
Other Northern	270	120	84	112	155	245	256	143	60	1,445	
<b>Total Northern</b>	<b>874</b>	<b>186</b>	<b>155</b>	<b>309</b>	<b>379</b>	<b>521</b>	<b>510</b>	<b>288</b>	<b>104</b>	<b>3,326</b>	
Other Canadian	310	58	76	101	108	206	215	144	51	1,269	
	(Per cent)										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Northern Aboriginal	51%	27%	31%	48%	46%	38%	35%	34%	28%	41%	
Other Northern	23%	49%	36%	27%	32%	34%	35%	33%	39%	31%	
<b>Total Northern</b>	<b>74%</b>	<b>76%</b>	<b>67%</b>	<b>75%</b>	<b>78%</b>	<b>72%</b>	<b>70%</b>	<b>67%</b>	<b>67%</b>	<b>72%</b>	
Other Canadian	26%	24%	33%	25%	22%	28%	30%	33%	33%	28%	

\*Based on Q1 and Q2



## 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 standards. For example, every person who comes to Diavik completes the on-line Diavik Safety Training System. This ensures that everyone is familiar with our health and safety standards. In addition, all new employees attend the site induction program and also receive an orientation specific to their work area.

Other site-based training areas include:

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

### Workplace learning centre services

Diavik maintains a Workplace Learning Centre at the mine site. The centre is intended to help employees build their skills in tasks directly related to their every day work role. A training adviser is available to provide learning support to apprentices who are preparing to attend technical training. In addition, the Workplace Learning Centre is the first point of contact for new employees and contractors. The training administrative assistants provide direction and support to all new hires as they complete the on-line Diavik Safety Training System.

### Aboriginal development program

Diavik employs several northern Aboriginal people in supervisory positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, in 2004 Diavik developed an Aboriginal 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 are matched with a DDMI supervisor for mentoring. Since 2005, 49 individuals have completed the program. All graduates receive a certificate from SAIT recognizing their achievement.

## **Skilled trades**

Diavik has committed to train between eight and 18 apprentices annually. As of 30 June 2010, there were eight Diavik Diamond Mines Inc. apprentices working towards certifications (seven northern, of which five are Aboriginal). One DDMI individual was working towards a dual apprenticeship.

In addition, DDMI contractor Bouwa Whee Catering employed three apprentices as cooks at Diavik and DDMI contractor Tli Cho Logistics employed five apprentices in the roles of electrician, heavy equipment technician, millwright, and welder. Of these eight apprentices working for Diavik contractors, seven are northern, of which five are Aboriginal.

Of the total of 16 Diavik Diamond Mine apprentices, 14 are northern and of the 14 northerners, 11 are Aboriginal.

In first half 2010, three apprentices working at the Diavik Diamond Mine achieved journey person certification. A total of 21 apprentices have now successfully completed their apprenticeships at Diavik and achieved journey person certifications from the Government of the Northwest Territories.

## **Aboriginal skills & employment partnership (ASEP)**

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

The NWT Mine Training Society (MTS) was created to administer ASEP funding and addition resources. The MTS board of directors consists of representatives of the North Slave Metis, Yellowknives Dene, Tli Cho Government, and the Lutsel K'e Dene, the three diamond mining companies, and the territorial government with observers from Aurora College and the regional Human Resources and Skills Development Canada office. The purpose of ASEP is to increase the number of northern Aboriginal people participating in the mining industry. The following programs receive MTS funding:

### **Underground miner training program**

In 2010, Diavik will participate in the MTS underground miner training program in partnership with Aurora College. Part I of the program is six weeks of the Ready to Work North program, modified to include life and work skills in preparation for a rotational work schedule. This community-based program is delivered by Aurora College adult educators. Part II is 16 weeks of training that familiarizes trainees with underground safe work practices, mining methods, and procedures. It includes practice time on an underground equipment simulator and hands-on training on underground equipment, such as haul truck, scooptram, and utility vehicle. Part III is 12 weeks of on-the-job training. Diavik will provide work experience placements for eight underground miner trainees in this program (two groups of four).

### **Mineral processing operator training program**

In 2010, Diavik will provide work experience placements for four mineral processing operator trainees (two groups of two). These four individuals were selected from the graduates of the Aurora College training program.

## Section E: cultural and community well-being

During the mine construction phase (2000-2002), Diavik initiated cultural awareness and the employee and family assistance 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.

Diavik's cultural awareness program was designed by four well-known northern Aboriginal teachers to address the needs of Diavik's workforce. To ensure our cultural awareness objectives and commitments are met on an on-going basis, Diavik continues to offer this program regularly to individuals in leadership roles.

### **Community-based trades training**

During construction, Diavik contributed to communities through mine construction trades training courses which raised skill levels among northerners and improved community infrastructure. During construction of the \$1.3 billion Diavik Diamond Mine, Diavik recognized that there was a significant opportunity to raise skill levels through community-based construction trades training courses.

Diavik partnered with communities, business, organizations, and governments and created a unique training initiative for northerners. Participants gained hands-on trades experience and during this three year period 237 northerners completed some 16 training programs. Many of the graduates went on to work for contractors who built the mine. These individuals, gained new skills and new levels of confidence, and helped Diavik exceed its northern hiring commitment for mine construction. The training courses, which mirrored mine site work rotations, provided participants with entry level trades skills.

Of the 16 courses completed, 12 were northern community based, three focused on heavy equipment and process plant operations, and one focused on construction of the main accommodations modules. Details of these community-based trades training programs are included in Diavik's Training Partnerships booklet located in the reports and publications section of the diavik.ca web site (scroll down to corporate publications).

### **Community wellness and community legacy**

During operations Diavik continues to provide cultural awareness and employee family assistance programs. Diavik provides cultural awareness training to all workers during site induction. During first half 2010, we have updated our site induction program to include Rio Tinto's global diversity initiative.

We have also built upon our construction trades training program by identifying community wellness projects in which we could participate and partner. These community wellness projects include the SideDoor youth centre, the Shorty Brown Arena, the Bailey House men's transition centre, and the Aven Cottage territorial dementia facility. For these initiatives, Diavik provided project management expertise and other in-kind and financial assistance. These projects, which in some cases Diavik assisted by generating substantial savings, also included a training component.

## Other community and legacy programs/initiatives

Diavik has several other initiatives to support employee/community well-being including:

- Since 2001, the Diavik scholarship program has awarded approximately \$1.5 million through individual scholarships to residents of the Northwest Territories and Nunavut's West Kitikmeot region. Scholarships are awarded by a Diavik Diamond Mines Inc. scholarship committee and through the Participation Agreement implementation committees. These committees are co-managed by Diavik and representatives of neighbouring Aboriginal groups. The scholarship program includes high school, post-secondary, and employee family scholarships.
- Community relations programs that ensure Communities and External Relations department representatives attend special events like assemblies, elders' funerals, and significant community and cultural events.
- During the first half of 2010, Diavik staff completed annual community update meetings with the North Slave Metis Alliance and, in conjunction with the Environmental Monitoring Advisory Board (EMAB), the Lutsel K'e Dene First Nation. In Lutsel K'e, Diavik also conducted an information session on phosphorous, at the request of the community, and met with the Wildlife, Land and Environment Committee to discuss Traditional Knowledge monitoring proposals and programs.
- In other community relations work, Diavik held meetings with the Yellowknives Dene First Nation Chief and Council, and Elders Committee to discuss options for mining A21 kimberlite and the land use permit application for the mine's exploration activities. Diavik also participated in EMAB's workshop to discuss requirements of the Environmental Agreement. As well, Rio Tinto staff met with leadership of the Aboriginal groups during the Diavik Diamond Mines Inc. site-managed assessment, conducted under the Rio Tinto community relations standards.
- Mine tours for Aboriginal leaders, elders and Participation Agreement committee members.
- Collaborated with Yellowknives Dene First Nation and Diavik Communities Advisory Board to conduct studies and surveys with our employees to assist in development of indicators for reporting on social impact issues.
- Diavik's donations and sponsorship committee, consisting of six employees (three from minesite operations and three from Yellowknife operations) meets six times per year to review all donation and sponsorship requests. The donations policy includes a two-tier review process. For large funding requests, the committee reviews and provides input to members of the company's senior executive. Diavik also reviews requests for polished diamonds where the organization can demonstrate that the donation will leverage additional funding.

These initiatives, when combined with Diavik's health, safety, environment, training, employment, and business benefits, are part of our overall legacy of meaningful benefits for the North and northern residents.