

Diavik Diamond Mine

2011 socio-economic monitoring agreement report

02 February 2012

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Introduction

The Diavik Diamond Mine, a Canada's Top 100 Employer for 2012, is located 300 kilometres northeast of Yellowknife, Northwest Territories, Canada, and 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 a wholly owned 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 mitigatory 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 SEMA 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 currently include senior management.

This report is for 1 January 2011 to 31 December 2011 and includes employment, business benefits, capital and operating summaries, workforce development, and cultural and community well-being legacy initiatives. Throughout this and other SEMA reports, some figures may not add due to three-month averaging and rounding.

The Diavik SEMA and associated reports are available on our web site (www.diavik.ca) in the reports and publications section.

Background

The Diavik Diamond Mine is located on a 20 square kilometre 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. A fourth pipe, A21, continues to show potential. 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 2007, major underground mine construction funding was approved by our joint venture partners Rio Tinto and Harry Winston Diamond Corporation. With a capital cost of approximately \$800 million, which is within feasibility projections, underground mine construction required several kilometres of tunnels, rescue bays, ventilation, vertical tunnels known as raises, and dewatering systems. Related surface works include a crusher and backfill plant, as well as infrastructure to double power generation and water treatment capacity. In February 2010, production and processing of initial kimberlite ore mined from Diavik's new underground mine commenced. Also in 2010, open pit mining of the two A154 ore bodies concluded.

In 2011, Diavik's ore production included underground mining from all three kimberlite pipes as well as A418 open pit ore. Open pit mining of A418 ore body will conclude in 2012 at which time Diavik will become an all underground mine. Full underground production levels are expected in 2013. Underground mining is projected to continue well beyond 2020. Diavik's total mine life remains within the 16 to 22 years projected in the original feasibility studies of the late 1990s.

The mine's infrastructure 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, explosives manufacturing facilities, and the new operations centre. Elevated 'arctic corridors' carry services and provide enclosed walkways connecting buildings.

Diamonds are separated from 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. In 2011, Diavik announced that construction of a wind farm had commenced at the mine site. The project, which includes four 2.3 megawatt wind turbines, is expected to be operational for winter 2012/13. Diavik's wind farm, which will be the world's first to operate at minus 40C, will reduce our reliance on diesel fuel and lower our carbon footprint.

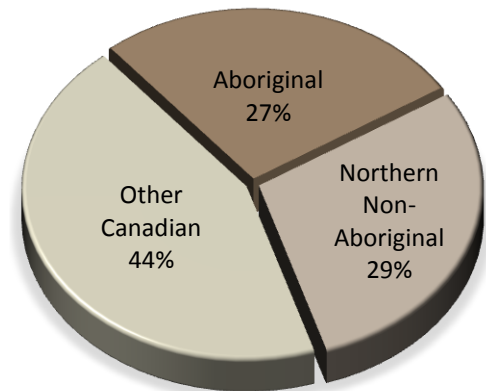
2011 Reporting period highlights

- Progressive Aboriginal Relations Gold designation from the Canadian Council for Aboriginal Business.
- In 2011, we commenced construction of the Northwest Territories' first large-scale wind farm. The wind turbines are expected to provide nine per cent of our power needs and lower our diesel consumption by approximately four million litres per year. When the wind farm is commissioned in late 2012, Diavik will be the world's first mine with a large-scale 'off-the-grid' wind/diesel hybrid power facility.
- Selected as a Canada's Top 100 Employer for 2012.
- In May, our workforce was awarded a prestigious regional John T. Ryan safety trophy for our 2010 safety performance. These are our industry's most prestigious safety awards.
- For the year, we experienced four lost time injuries and eight medical treatment cases. Annual lost time injury and all incident frequency rates were 0.28 and 0.85 respectively.
- Ten Aboriginal northerners from Diavik were the first in Canada to achieve underground miner certifications from the Mining Industry Human Resources Council's Canadian Mining Credentials program. Diavik Diamond Mine was among seven locations selected for this national pilot program.
- Diavik supported over 100 community initiatives with over \$375,000 in funding including the Yellowknife Community Foundation gala, Diavik 150 Canadian Championship Dog Derby, the Yellowknives Dene First Nation career fair, the Chamber of Mines miner's picnic, the Kitikmeot Youth Square Dance competition, and the Lutsel K'e spring carnival.
- Diavik's mine rescue team, comprised of members of our mine site emergency response team, won the underground division of the 10th National Western Regional Mine Rescue Competition, North America's largest mine rescue competition.
- Northern employment averaged 642, significantly above initial predictions of 264.
- Aboriginal employment averaged 313, significantly above initial predictions of 160.
- In 2011, Diavik hired 60 underground mining staff, including 42 northern and 18 southern workers. Of the northern hires, 24 are Aboriginal.
- At year-end, Diavik supported 34 trades apprenticeships; all were northern and 19 were Aboriginal; significantly above our apprenticeship commitment of 8-18.
- In 2011, four Diavik apprentices completed apprenticeship training achieving journey person designation. Since 2003, 31 people have successfully completed their apprenticeships at Diavik.
- Northern business spending of \$302.7 million which comprised 69% of total business spending.
- Diavik surpassed \$2 billion in total spending with Aboriginal business and their joint ventures since operations commenced.
- In March, Diavik completed a successful ice road program shipping 3,859 loads (approximately 127,000 tonnes) to the mine site. In total, all users transported 6,832 loads (239,000 tonnes) northbound.
- Diamond production of 6.7 million carats.

Operations highlights

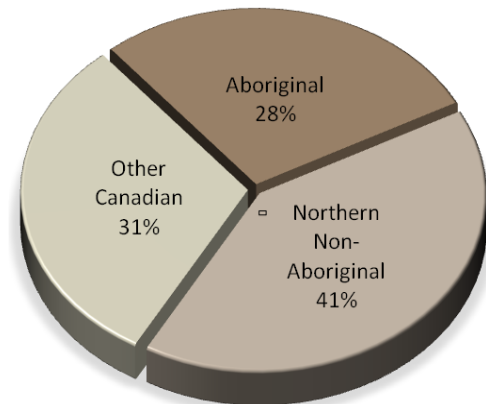
2011 employment by priority group

- Workforce averaged 1,137 workers
- Northern employment averaged 642 (56%)
- Aboriginal employment averaged 313 (27%)



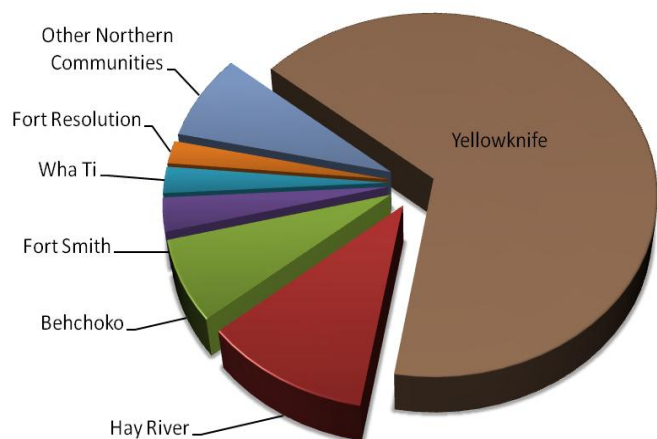
2011 business spending

- \$438.1 million total spending
- \$302.7 million (69%) with northern business
- \$124.8 million (28%) with northern Aboriginal business
- \$177.9 million (41%) with northern non-Aboriginal business



2011 employment by northern community

- 426 workers resided in Yellowknife
- 72 workers resided in Hay River
- 46 workers resided in Behchoko
- 19 workers resided in Fort Smith
- 15 workers resided in Wha Ti
- 13 workers resided in Fort Resolution
- 49 workers resided in other northern communities

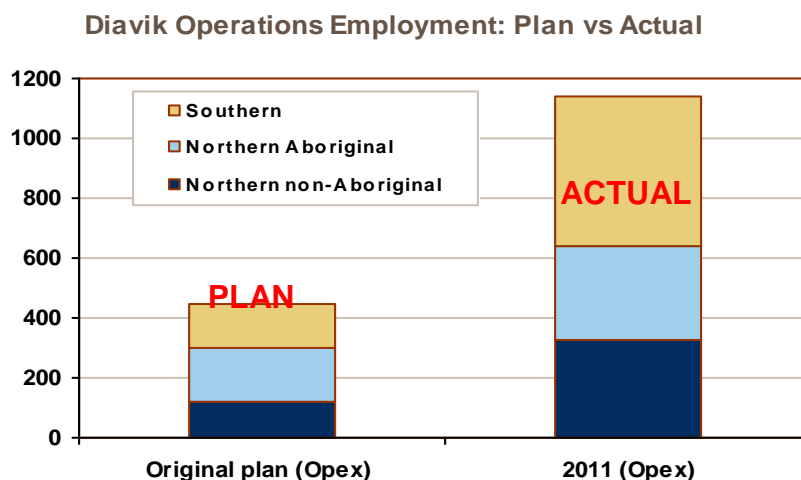


Employment exceeds plan

During the mine's original approval process, Diavik committed to the priority hiring of northern residents and Aboriginal people born in the Northwest Territories or West Kitikmeot region of Nunavut, and their descendants. Diavik projected that the workforce would be approximately 400 people. From socio-economic studies of the northern workforce, Diavik expected 264 would be northern and 160 Aboriginal. For 2011, Diavik exceeded these projections with an operations workforce averaging 1,137 people of whom 642 were northern and 313 were Aboriginal.

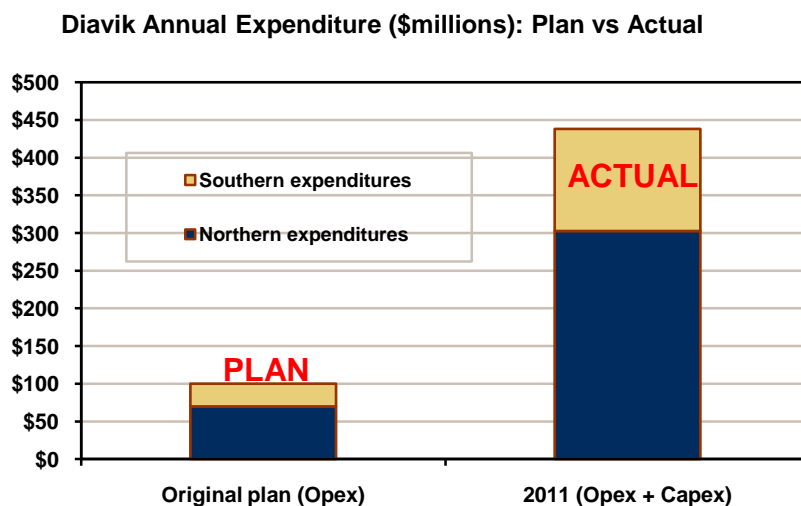
2011 northern employment averaged 378 above original plan.

2011 Aboriginal employment averaged 153 above original plan.



Business spending exceeds plan

During the mine's original approval process, Diavik committed to spend approximately \$100 million annually (with 70 per cent northern) to support mining operations. During 2011, Diavik spent \$438.1 million on combined operating and new capital expenses. Of this total, \$302.7 million, or 69 per cent, was with northern companies.



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 by priority group³ for 2011.

During our transition to underground mining, which began several years ago, access to skilled underground labour in the North presented challenges. Due to a shortage of northerners with underground mining skills, southern labour was recruited and this resulted in a decline in our northern employment percentages. However, in 2011, for the 60 underground mine workers hired, northern and Aboriginal percentages were 70 per cent and 40 per cent respectively.

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

	Jan - Mar	Apr - June	Jul - Sep	Oct - Dec	2011
	(Number)				
Total	1092	1128	1156	1170	1137
Aboriginal	301	318	318	315	313
Non-Aboriginal	314	323	335	343	329
Subtotal northern	615	640	653	658	642
Other	477	488	503	512	495
	(Per cent of Total)				
Total	100%	100%	100%	100%	100%
Aboriginal	28%	28%	28%	27%	27%
Non-Aboriginal	29%	29%	29%	29%	29%
Subtotal northern	56%	57%	57%	56%	56%
Other	44%	43%	43%	44%	44%

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.

Northern hiring strategy

Our northern employment strategy includes more apprenticeships, recruitment campaigns in northern communities, the Rio Tinto in Canada national recruiting initiative, working with the Government of the Northwest Territories on northern training, and reviewing the feasibility of new northern pickup points. We offer a range of employment benefits including northern, minesite, retention and attraction allowances, and relocation assistance. With our commitment to add new apprentices, we expect our mine to generate about 100 trained northern journeypersons. Providing for apprenticeships and creating journeypersons is part of our overall northern employment strategy. This strategy will result in a legacy of skilled trades people within our local communities. Some 31 individuals have now achieved journeyperson certifications at the Diavik Diamond Mine.

Operating employment by community

Table 2 provides Diavik Diamond Mine operations workforce by residence for 2011. On average there were 1,137 Diavik operations workers in 2011 of which 640 (56 per cent) lived in the Northwest Territories or West Kitikmeot communities (note: Table 1 includes workforce by ethnicity and Table 2 includes workforce by residence and as such the overall total is unchanged but the northern totals differ).

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

	Jan- Mar	Apr- June	Jul- Sep	Oct - Dec	2011	2011
Total	1092	1128	1156	1170	1137	100%
Behchoko	48	47	44	44	46	4%
Deline	1	2	2	3	2	<1%
Dettah	3	4	3	3	3	<1%
Enterprise	2	2	2	2	2	<1%
Fort Good Hope	2	2	2	2	2	<1%
Fort Providence	6	6	8	8	7	1%
Fort Resolution	13	13	14	14	13	1%
Fort Simpson	7	8	9	8	8	1%
Fort Smith	19	20	20	18	19	2%
Gameti	8	6	5	5	6	1%
Hay River	63	73	76	78	72	6%
Inuvik	2	2	2	2	2	<1%
Lutsel K'e	3	5	5	6	5	<1%
N'dilo	2	2	1	1	2	<1%
Norman Wells	0	0	0	1	0	<1%
Wekweeti	3	3	2	2	3	<1%
Wha Ti	14	15	16	16	15	1%
Yellowknife	408	422	433	439	426	37%
Cambridge Bay	1	1	1	1	1	<1%
Kugluktuk	7	6	5	5	6	<1%
Subtotal northern	613	638	650	656	640	56%
Alberta	175	177	185	184	180	16%
Other Canada	304	314	321	330	317	28%
Subtotal southern	479	490	506	514	497	44%

New hires by priority group for operations

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

Table 3: Diavik Diamond Mine Operations Phase New Hires by Priority Group					
	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	2011
Total	38	29	25	16	107
	(Number)				
Northern Aboriginal	8	4	2	3	17
Northerner (+6 mos)	12	8	8	4	32
Northerner (-6 mos)	2	1	1	1	6
Subtotal northern	22	13	11	8	55
Other Canadian	15	16	13	8	52
	(Per cent)				
Northern Aboriginal	22%	13%	7%	17%	16%
Northerner (+6 mos)	31%	29%	32%	26%	30%
Northerner (-6 mos)	6%	2%	5%	7%	5%
Subtotal northern	59%	44%	44%	51%	51%
Other Canadian	41%	56%	56%	49%	49%

Employment by job category and priority group for operations

Table 4 provides the Diavik Diamond Mine operations workforce by job category/priority group in 2011, during which Diavik's total operations workforce averaged 1,137 people. The total was comprised of 17 management, 110 professional, 550 skilled, 321 semi-skilled, and 138 entry level positions.

- 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 pickup points for northern-based workers, re-advertising roles where low or no interest was shown, information visits and recruitment sessions with DDMI and contractor representatives in communities, and participating in local career fairs.

Table 4: Total Employees by Job Category and Priority Group

		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2011
	Grand Total	1,092	1,128	1,156	1,170	1,137
Management	Total	17	16	16	17	17
	Aboriginal	0	0	0	0	0
	Non-Aboriginal	17	16	16	17	17
	Northern	17	16	16	17	17(100%)
	Other	0	0	0	0	0
Professional	Total	107	109	110	114	110
	Aboriginal	6	6	8	9	7
	Non-Aboriginal	52	53	51	51	52
	Northern	58	59	59	60	59(54%)
	Other	49	51	51	54	51
Skilled	Total	509	539	572	581	550
	Aboriginal	54	66	70	69	65
	Non-Aboriginal	98	103	116	119	109
	Northern	152	169	186	189	174(32%)
	Other	358	370	386	392	377
Semi-skilled	Total	328	325	318	314	321
	Aboriginal	173	169	163	158	166
	Non-Aboriginal	99	103	103	106	103
	Northern	272	272	266	264	269(84%)
	Other	56	53	52	50	53
Entry level	Total	131	139	141	143	138
	Aboriginal	68	76	77	79	75
	Non-Aboriginal	48	47	48	49	48
	Northern	115	124	126	128	123(89%)
	Other	16	15	15	15	15

Employment by contractor and priority group for operations

Table 5 provides employment by company and priority group for 2011. DDMI employed 672 people, with 381 people (57%) northern. I&D employed 118 people, with 105 people (89%) northern. Tli Cho Logistics employed 109 people, with 63 people (58%) northern. Bouwa Whee Catering employed 97 people, with 84 people (87%) northern. Denesoline Western Explosives (DWE) employed four people, with two people (50%) northern. Other contractors employed 137 people, with seven people (5%) northern.

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

	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	2011					
DDMI Total	623	100%	646	100%	695	100%	724	100%	672	100%
Aboriginal	136	22%	142	22%	153	22%	157	22%	147	22%
Non-Aboriginal	218	35%	226	35%	240	35%	252	35%	234	35%
Northern	354	57%	368	57%	393	57%	409	56%	381	57%
Other	269	43%	279	43%	302	43%	315	44%	291	43%
I & D Total	128	100%	126	100%	115	100%	104	100%	118	100%
Aboriginal	86	67%	84	66%	75	66%	69	67%	79	67%
Non-Aboriginal	26	21%	27	21%	27	24%	24	23%	26	22%
Northern	112	88%	111	88%	102	89%	93	90%	105	89%
Other	16	12%	15	12%	12	11%	10	10%	14	11%
Tli Cho Total	108	100%	111	100%	108	100%	107	100%	109	100%
Aboriginal	39	36%	39	35%	37	34%	35	33%	38	35%
Non-Aboriginal	26	24%	26	24%	25	23%	25	24%	26	24%
Northern	65	60%	65	59%	62	57%	61	57%	63	58%
Other	43	40%	46	41%	47	43%	46	43%	45	42%
Bouwa Whee Total	87	100%	100	100%	100	100%	100	100%	97	100%
Aboriginal	36	41%	49	49%	50	50%	50	50%	46	47%
Non-Aboriginal	38	44%	38	38%	38	38%	37	37%	38	39%
Northern	74	85%	87	87%	87	87%	87	87%	84	87%
Other	13	15%	13	13%	13	13%	13	13%	13	13%
DWE Total	4	100%	4	100%	4	100%	4	100%	4	100%
Aboriginal	1	25%	1	25%	1	25%	1	25%	1	25%
Non-Aboriginal	1	25%	1	25%	1	25%	1	25%	1	25%
Northern	2	50%	2	50%	2	50%	2	50%	2	50%
Other	2	50%	2	50%	2	50%	2	50%	2	50%
Other Total	142	100%	140	100%	134	100%	132	100%	137	100%
Aboriginal	3	2%	3	2%	3	2%	3	2%	3	2%
Non-Aboriginal	4	3%	3	2%	3	2%	4	3%	4	3%
Northern	7	5%	6	5%	6	4%	7	5%	7	5%
Other	135	95%	134	95%	128	96%	125	95%	131	95%
Total	1092	100%	1128	100%	1156	100%	1170	100%	1137	100%
Aboriginal	301	28%	318	28%	319	28%	315	27%	313	28%
Non-Aboriginal	313	29%	322	29%	334	29%	343	29%	328	29%
Northern	614	56%	639	57%	653	56%	658	56%	641	56%
Other	478	44%	489	43%	504	44%	512	44%	496	44%

Section B: northern business benefits

Northern purchasing objective

During the mine's approval process, Diavik projected that the purchase of goods and services needed to support mine operations would be \$100 million annually. Consequently, Diavik committed to purchase⁴ at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been higher.

Northern business participation initiatives and outsourcing

Diavik recognizes its significant role in creating new and long-term business opportunities that can increase northern business capacity. As a result, Diavik has entered into operations labour contracts with Aboriginal and northern businesses that supply approximately 40 per cent 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. For a more comprehensive list of companies supporting Diavik, see Table 7 (page 16).

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 supply and technical support), Exlogs-Taidene Frontier Medical Services Canada Ltd. (onsite/offsite medical services), and Kitikmeot Cementation and Mining Development (underground mine related development, production, and maintenance).

DDMI has worked closely with these Aboriginal-owned companies to assist them in building capacity to pursue potential future business opportunities. DDMI also seeks to have these companies develop and implement their own policies and procedures which align with DDMI requirements. To support this initiative, Diavik contractors for major and long-term contracts are provided and/or required to submit the following documents:

- Safety, Health and Environment plan – provided by contractor
- DDMI Business Practices Standards
- DDMI Site-specific Terms and Conditions
- Supplier Capability review
- Key performance indicators – Contractor-specific and 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.

⁴ 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 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 2011 include:

- Recruitment and information sessions and project updates in several Participation Agreement 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 northern business scope to include cement supply and transport
 - Multi-year contract established with Air Tindi, in partnership with Tlicho Air Inc. and Denesoline Corporation, for passenger and freight services to support mine operations
 - Kitikmeot Cementation Mining and Development Ltd. successful development of Diavik's underground access ramp and assistance with feasibility study for long-term underground mining
 - 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 Socio-economic Monitoring and Participation Agreement commitments
 - Contracts with local firms for work related to the underground mine (specifically fresh air raise, mine dry, and underground maintenance shop work).

Through its ongoing continuous business improvement processes, 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 total operations and capital spending by priority group during 2011. Table 7 presents a sample of northern and northern Aboriginal businesses supporting Diavik.

In 2011, Diavik's combined operations and capital expenditures were \$ 438.1 million. The value of spending with northern businesses was \$302.7 million (69 per cent). Spending with Aboriginal businesses was \$124.8 million (28 per cent). Spending with northern non-Aboriginal business was \$177.9 million (41 per cent). Other businesses accounted for the remaining \$135.4 million (31 per cent).

Total	438.1
Northern Aboriginal	124.8
Northern non-Aboriginal	177.9
Subtotal northern	302.7
Other	135.4
Per cent	100%
Northern Aboriginal	28%
Northern non-Aboriginal	41%
Subtotal northern	69%
Other	31%

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

Northern Businesses

Acklands-Grainger Inc.
Arcan Construction
Arctic Sunwest Charters
Atlas Copco
Aurora Geosciences Ltd.
Bartle & Gibson
Bromley & Son Ltd.
Canadian Dewatering
Canarctic Graphics
Central Mechanical Services
Crothers Home Building
Danmax Communication Ltd.
EBA Engineering Consultants Ltd.
Eecol Electric
First Air
Finning (Canada) Ltd
Frontier Mining & Industrial Supplies
G&G Expediting
Golder Associates Ltd.
Great Slave Helicopters Ltd.
Igloo Building Supplies Ltd.
Imperial Oil Limited
Inkit Ltd.
KBL Environmental Ltd.
Kinacor Inc.
Kingland Ford
Lake Awry Cap & Crest
Matonabee Petroleum Ltd.
Midnight Sun Energy Ltd.
Norpo
Northbest Distributors Ltd.
Northwest Transport Ltd.
NWT Rock Services
Northern Industrial Sales
Northwestern AirLease Ltd.

Ollerhead & Associates Ltd.
Petro Canada
RTL Robinson Enterprises Ltd.
Ron's Auto Services Ltd.
Ryfan Electric
Sandvik
Slade Fire Prevention
SMS Equipment Ltd.
Tait Communications and Consulting
Territorial Crane Service Ltd.
Top of the World (2000)
Tundra Transfer

Northern Aboriginal Businesses

Behchoko Development Corporation
Bouwa Whee Catering Ltd.
Canadian North
Dene-Emco Inc.
Denesoline Western Explosives Ltd.
Denesoline - Northern Food Services
Det'on Cho Nahanni Construction
Det'on Cho Scarlet Security
Exlogs Taidene – Frontier Medical Services
I&D Management Services Ltd.
Kitikmeot Cementation
Lac De Gras Constructors
Metcrete Services
Nishi Khon SNC Lavalin Inc.
Northern Industrial Sales
Nuna Logistics Ltd.
Tli Cho Landtran Transport Ltd.
Tli Cho Logistics
Tli Cho Air

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 2011.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Total	(Average Number of Employees)												
Employment	297	1,031	1,114	611	719	1,085	1,068	1,286	1,436	1,011	907	1,137	11,702
Aboriginal	78	245	214	221	259	290	272	299	298	279	267	313	3,035
Non-Aboriginal	87	182	268	223	258	296	292	311	307	273	284	329	3,110
Northern	165	427	482	444	517	586	564	609	606	552	551	642	6,145
Other	132	604	632	167	202	499	504	693	831	459	321	495	5,539
Operating	0	0	0	611	719	727	735	773	808	810	907	1,137	7,227
Aboriginal	0	0	0	221	259	256	245	260	273	269	267	313	2,363
Non-Aboriginal	0	0	0	223	258	257	253	268	267	259	284	329	2,398
Northern	0	0	0	444	517	513	497	527	540	528	551	642	4,759
Other	0	0	0	167	202	214	238	262	268	282	321	495	2,449
Capital*	297	1,031	1,114	0	0	358	333	513	628	201	0	0	4,475
Aboriginal	78	245	214	0	0	33	27	39	26	10	0	0	672
Non-Aboriginal	87	182	268	0	0	40	40	43	40	14	0	0	714
Northern	165	427	482	0	0	73	67	82	66	24	0	0	1,386
Other	132	604	632	0	0	285	266	431	563	177	0	0	3,090
	(Per cent)												
Employment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	28%	31%	28%	26%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	27%	33%	29%	27%
Northern	56%	41%	43%	73%	72%	54%	53%	50%	45%	55%	63%	56%	53%
Other	44%	59%	57%	27%	28%	46%	47%	50%	55%	45%	37%	44%	47%
Operating	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	34%	33%	31%	28%	33%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	33%	32%	33%	29%	33%
Northern	0%	0%	0%	73%	72%	71%	68%	66%	67%	65%	63%	56%	66%
Other	0%	0%	0%	27%	28%	29%	32%	34%	33%	35%	37%	44%	34%
Capital	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	5%	0%	0%	15%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	7%	0%	0%	16%
Northern	56%	41%	43%	0%	0%	20%	20%	16%	10%	12%	0%	0%	31%
Other	44%	59%	57%	0%	0%	80%	80%	84%	90%	88%	0%	0%	69%

*2010 onwards, operations and construction employment combined

Capital and operations business spending

Table 9 describes Diavik's historical capital and operations business expenditures. Diavik undertook that throughout mine construction 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 our socio-economic monitoring agreement. Northern Aboriginal spending during construction was \$604 million, or 51 per cent.

When 2000 through 2011 spending is combined, Diavik has spent a total of \$5.2 billion, of which \$3.8 billion (72 per cent) is with northern business. Of the \$3.8 billion, \$2.0 billion is with Aboriginal business.

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	2011		
	(Millions of Dollars)											
Total	1,184	244	231	410	487	727	725	432	365	438	5,243	
Northern Aboriginal	604	66	71	197	224	276	254	145	113	125	2,074	
Other northern	270	120	84	112	155	245	256	143	147	178	1,710	
Total northern	874	186	155	309	379	521	510	288	260	303	3,785	
Other Canadian	310	58	76	101	108	206	215	144	105	135	1,459	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Northern Aboriginal	51%	27%	31%	48%	46%	38%	35%	34%	31%	28%	40%	
Other northern	23%	49%	36%	27%	32%	34%	35%	33%	40%	41%	33%	
Total northern	74%	76%	67%	75%	78%	72%	70%	67%	71%	69%	72%	
Other Canadian	26%	24%	33%	25%	22%	28%	30%	33%	29%	31%	28%	

Section D: workforce development

Site-based training

Most of Diavik's training is focused on site-based programs to train all employees on Diavik-specific equipment for safe and productive employment and to maintain compliance with Rio Tinto 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 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 (fall arrest, confined space, job hazard analysis, isolation officer certification)
- Industrial standard first aid
- WSCC Level I and II supervisor certification
- WSCC blaster and shift boss certification
- Mine rescue certification
- Electrical hazard, ARC flash, and radiation training
- WHMIS 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 including computer skills. 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 mine site administrators provide direction and support to all new hires as they complete the on-line Diavik Safety Training System.

Northern leadership development program

Diavik employs northern Aboriginal people in supervisory positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, 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, 59 individuals have completed the program. All graduates receive a certificate from SAIT recognizing their achievement. In 2010, Diavik expanded the program and two individuals with De Beers Canada, along with four DDMI employees, completed the program. In 2011, the program was transitioned to Aurora College and has expanded to include participants from northern businesses. Diavik has six participants in the current class of 21 registrants.

Skilled trades

Diavik has committed to train between eight and 18 apprentices annually. In 2010, we committed to add 86 new apprenticeships through to 2020. Through 31 December 2011, 24 new apprentices were hired; all northerners of whom 12 are Aboriginal bringing the total number of apprentices working at Diavik to 34. Of the 34 Diavik Diamond Mine apprentices, all are northern and 19 are Aboriginal. In addition, DDMI contractor Bouwa Whee Catering employed three apprentices as cooks and DDMI contractor Tli Cho Logistics employed two apprentices in the roles of electrician and welder. Additionally, four DDMI individuals were working towards dual journeyman certifications. In 2011 four apprentices working at the Diavik Diamond Mine achieved journeyman certification. Since 2003, a total of 31 apprentices have now successfully completed their apprenticeships at Diavik and achieved journeyman certifications from the Government of the Northwest Territories.

Aboriginal skills & employment partnership (ASEP)

The federal government has recognized that parts of Canada are experiencing significant demand for skilled labour and that many of these areas include Aboriginal communities that can benefit from the employment opportunities. Consequently, through its Aboriginal Affairs Directorate with Human Resources and Skills Development, the federal government launched the Aboriginal Skills and Employment Partnership (ASEP) program in 2004. The NWT Mine Training Society (MTS) was created to administer ASEP funding and additional resources. The MTS board of directors consists of representatives of the North Slave Metis, Yellowknives Dene, Tlicho Government, and Lutsel K'e Dene, the three diamond mining companies, and the territorial government with observers from Aurora College and the national 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. ASEP funding is scheduled to expire in 2012 and Diavik is working with the MTS to fund a source of ongoing funding. The following programs receive MTS funding:

Underground miner training program

Diavik participated 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 familiarizing trainees with underground safe work practices, mining methods, and procedures. It includes underground equipment simulator practice time and hands-on training on underground equipment, such as a haul truck, scooptram, and utility vehicle. Part III is 12 weeks on-the-job training. In 2010, Diavik provided work experience placements for six underground miner trainees in this program with all receiving permanent employment offers. In 2011, Diavik accepted four underground miner trainees and three received permanent employment offers.

Mineral processor operator technician program

Diavik participated in the MTS supported Aurora College delivered Mineral Operator Processing Technician program. The 12-week program is delivered at Thebacha campus of Aurora College. The program is to qualify participants for entry level positions as Mineral Process Operators (MPO's). An MPO works at a variety of stations in the process plant and monitors equipment and processing circuits that are used to separate diamonds from kimberlitic. In 2011, Diavik accepted four MPO trainees for a six week work experience in 2011. Of the four, three received permanent employment offers. The fourth accepted employment elsewhere.

Section E: cultural and community well-being

Community initiatives

- For our work with Aboriginal communities and businesses, Diavik was re-certified at the gold level under the Canadian Council for Aboriginal Businesses' Progressive Aboriginal Relations program.
- Diavik Diamond Mines Inc. was selected as a Canada's Top 100 Employer for 2012. In reviewing our operations, the organization's editorial board cited the quality of our health and safety standards, financial and family benefits, vacation and time off plans, employee communications programs, performance management, training and skills initiatives, and our work with local communities.
- During 2011, Diavik's donations committee supported over 100 local community initiatives with a total of over \$380,000. The committee consists of six employees (three from minesite operations and three from Yellowknife operations) that meet six times per year to review all donation and sponsorship requests.
- Diavik completed the first year of a three-year commitment to the Yellowknife Community Foundation gala which raises funds for local community projects and programs within the NWT. This commitment includes sponsorship, assistance with planning, donations for auction, and volunteering staff.
- In June, we partnered with Det'on Cho Earth Energy and territorial and federal governments on a wind study. Our role includes in-kind assistance and donation of a weather tower which Diavik had used to collect weather data, including wind speed, at the Diavik Diamond Mine. This multi-year study will assist in determining the feasibility of a potential wind turbine installation near the old Giant Mine.
- Diavik has established community involvement initiatives which provide DDMI employees an opportunity to visit local communities and attend community and cultural events, such as the Lutsel K'e spring carnival, the Yellowknives Dene Career Fair and Aboriginal Day celebrations, the Tlicho Assembly in Wha Ti, the Cambridge Bay trade show, and a youth square dance competition in Kugluktuk.
- In other community relations work, Diavik has requested a community engagement protocol with each of the Participation Agreement communities.
- Diavik participated in EMAB's workshop to discuss the structure and mandate for a Traditional Knowledge (TK) Panel, as provided for in the Environmental Agreement. Diavik has also been discussing possible Traditional Knowledge monitoring programs with various communities and completed a report that outlines recent TK initiatives undertaken by industry and communities to provide general recommendations and challenges for incorporating TK in to DDMI's environmental monitoring programs and closure planning initiatives.
- In response to community feedback, Diavik has hired three part-time community-based liaison officers to provide support for local Diavik employees and their family members and be a resource for community members interested in finding out more about Diavik.
- Diavik is a lead sponsor of the Yellowknife Airport Fire Training Facility that was recently added to the NWT Emergency Services Training Centre. With the new facility, crews can practice fighting structure fires, extrications, hand-held extinguishers, and rescues from downed aircraft. These capabilities will benefit community fire departments and mine rescue crews around the territory.