

Diavik Diamond Mine

2008 mid year socio economic monitoring report

16 December 2008

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Introduction

The Diavik Diamond Mine, located 300 kilometres northeast of Yellowknife, Northwest Territories, Canada, is an unincorporated joint venture between Diavik Diamond Mines Inc. (60%) and Harry Winston Diamond Mines Ltd. (40%). Both companies are headquartered in Yellowknife, Canada. Diavik Diamond Mines Inc. (DDMI) is a wholly owned subsidiary of Rio Tinto plc of London, England, and Harry Winston Diamond Mines Ltd. is wholly owned by Harry Winston Diamond Corporation of Toronto, Canada. In 2007, Aber Diamond Corporation changed its name to Harry Winston Diamond Corporation. Diavik Diamond Mines Inc. is the operator of the mine. Each joint venture participant markets independently its respective share of diamonds mined.

Early in the mine's development the Diavik project team made a commitment to provide northern training, employment, and business opportunities. To provide a formal mechanism to ensure Diavik's mitigative measures and commitments were appropriately implemented and monitored, the environmental assessment of the Diavik Diamond Mine included a requirement for a Socio-Economic Monitoring Agreement.

On October 2, 1999, DDMI entered into a Socio-Economic Monitoring Agreement (SEMA) with the Government of the Northwest Territories, later ratified by the Dogrib Treaty 11 Council (now called Tli Cho Government), the Yellowknives Dene First Nation, the Lutsel K'e Dene First Nation, the Kitikmeot Inuit Association, and the North Slave Metis Alliance. The agreement specified that Diavik Diamond Mines Inc. report twice a year on issues relating to employment and spending in the North during the construction and operation of the Diavik Diamond Mine. In January 2003, construction ended and commercial production of rough diamonds commenced. The transition from construction to operations in 2003 was reported in a single 2003 SEMA report. Reports have been produced semi-annually since then.

This report is for 1 January 2008 to 30 June 2008 and is in five sections covering Employment Data, Business Benefits, Capital and Operating Summaries, Workforce Development, and Cultural and Community Well-Being Initiatives.

The Diavik Socio-Economic Monitoring Agreement along with this and previous SEMA reports can be found on the DDMI website at www.diavik.ca.

Background

The Diavik Diamond Mine is located on a 20 square kilometre island informally called East Island in Lac de Gras, 300 kilometres by air northeast of Yellowknife, Northwest Territories. In 2008, the Diavik mine plan included three diamond bearing ore bodies, or kimberlite pipes, named A154 North, A154 South, and A418. All three pipes are located beneath the waters of Lac de Gras, just offshore of East Island. For open pit mining, rockfill structures known as dikes were engineered and constructed to allow the overlying waters to be removed temporarily. In 2002, DDMI completed the first dike around the A154 North and A154 South pipes to allow diamond mining to begin in 2003.

In 2007, Diavik completed construction of the second dike, called A418 after the name of the pipe that it encircles. In the first half of 2008, work crews continued their work to prepare the A418 pit and during the second quarter, as part of ongoing pre-stripping of waste overburden, Diavik mined some small quantities of A418 ore. This initial ore was low grade weathered kimberlite capping the pipe and diluted with overlying glacial till. Full scale A418 open pit production is to begin later in 2008.

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

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

In November 2007, Diavik's joint venture partners, Rio Tinto and Harry Winston, approved the investment of US\$563 million bringing underground mine investment to US\$787 million. Diavik's future is underground mining. Under the current life of mine plan, diamond production from underground would begin in mid 2009 and continue beyond 2020. Open pit mining is expected to cease in 2012, when Diavik would become an all-underground mine. Diavik's total mine life remains within the 16 to 22 years projected in the original 1999 feasibility study.

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

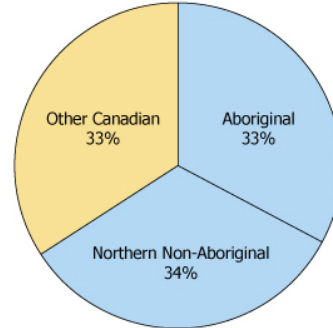
Half year 2008 reporting period highlights

- For its excellent 2007 safety performance, Diavik was awarded the Canadian John T. Ryan Safety Trophy for Western Canada. This is the third time that Diavik has won the award in its five years of operations.
- Diavik continued its excellent safety performance during the first half of 2008, reporting two lost time injuries and four medical treatments. The year to date Lost Time Injury Frequency rate was 0.18 and the All Injury Frequency Rate was 0.54.
- Diavik continued its commitment to community infrastructure. During the first half of 2008, construction of the Bailey House Men's Transition Home neared completion. Diavik project managed and contributed to the facility. Diavik also announced it would partner in the construction of a new Territorial Dementia Facility.
- Diavik operations employment averaged 796 workers, surpassing the originally projected workforce of 450. Northern and Aboriginal employment, at 532 and 264 respectively, also surpassed original projections.
- At mid year, Diavik employed 19 northern trades apprentices, exceeding Diavik's projections of maintaining from 8 to 18 apprentices annually.
- Diavik's mid year operations and capital expenditures were \$385.8 million, of which \$260.4 million (67%) were with northern business. This continues to significantly surpass original, pre-mine construction projections of \$70 million in annual northern operating expenditures.
- Total cumulative spending since 2000 reached \$3.7 billion, of which \$2.7 billion (73%) was with northern firms. Aboriginal business reached \$1.6 billion (43%).
- Operations spending (2003 through June 2008) with Aboriginal companies surpassed \$1 billion.
- In April, Diavik completed a successful ice road program shipping 4,174 loads to the mine site and backhauling 110 loads. Combined, all ice road users shipped 8,336 loads (shipments and backhauls combined).
- Diamond production for the first six months was 4.3 million carats.
- The Diavik Mine Rescue Team took top honours in two events at the annual northern Mine Rescue Competition.

Operations highlights

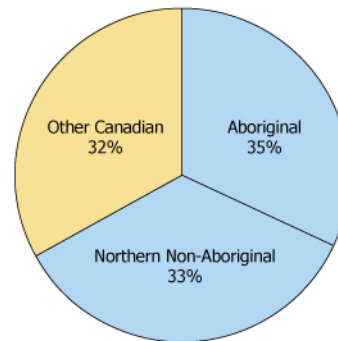
Operations employment by priority group

- During first half 2008, Diavik's operations workforce averaged 796 workers.
- Diavik employed 532 Aboriginal and non-Aboriginal northern workers (67%) in first half 2008.
- Approximately half (264) of Diavik's northern operations workforce was Aboriginal.



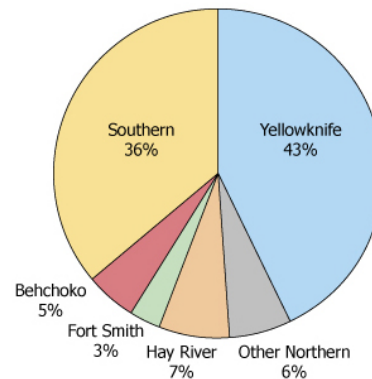
Business spending

- During first half 2008, DDMI spent \$385.8 million on capital and operating expenses.
- Diavik spend \$260.4 million (67%) with northern firms.
- Of the \$260.4 million, Diavik spent \$131.7 million (34%) with northern Aboriginal business.
- Diavik spent \$128.7 million (33%) with northern non-Aboriginal businesses.



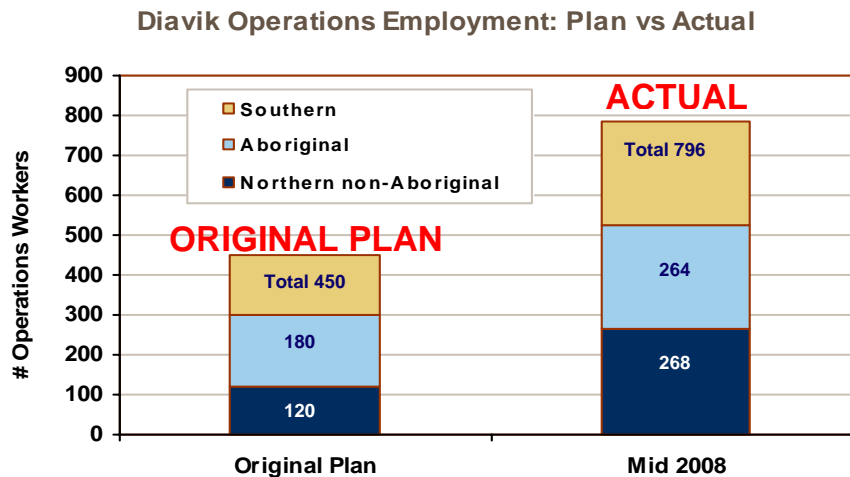
Employment by community

- During first half 2008, 508 people (64%) lived in the North.
- 342 people (43%) of Diavik's workforce resided in Yellowknife.
- 57 workers (7%) resided in Hay River, 36 workers (5%) resided in Behchoko, and 25 workers (3%) resided in Fort Smith.
- 48 employees (6%) lived in various other northern communities.



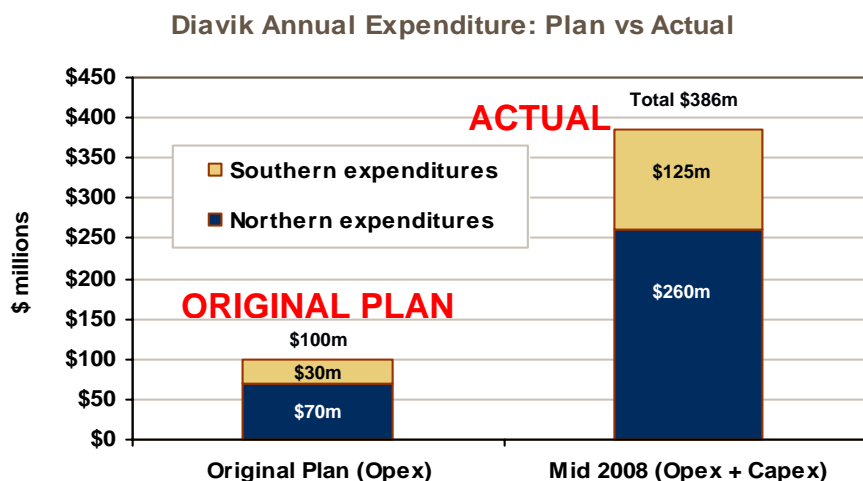
Employment exceeds plan

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, and their descendants. Diavik projected that the workforce could be as high as 450. From socio-economic studies of the northern workforce, Diavik expected 300 would be northern and 180 Aboriginal. By mid year 2008, Diavik's operations workforce had grown to 796 and northern Aboriginal and non-Aboriginal workers at 532 exceeded the entire originally planned workforce of 450. Aboriginal employment at 264 also exceeded original projections of 180.



Business spending also exceeds plan

During the mine's original approval process, Diavik committed to spend approximately \$100 million annually to support mining operations. In first half 2008, Diavik spent significantly more than this at \$385.8 million in combined operating and new capital expenses. Of this, \$260.4 million, or 68 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 of total by priority group³ for the operation of the Diavik Diamond Mine in first half 2008. In first half 2008, Diavik's operations workforce averaged 796 workers. This compares to an operations workforce projected at 400 ± 50 during the mine's project approval process in the late 1990's. Socio-economic studies⁴ of the northern workforce at that time suggested that as many as 300 operations workers could be northern and 180 Aboriginal. At mid 2008, northern and Aboriginal workforce totals continue to surpass the total mine operations workforce Diavik originally projected.

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

	Jan - Mar	Apr - Jne	Jul - Sep	Oct - Dec	2008*
	(Number)				
Total	794	798			796
Aboriginal	264	264			264
Non-Aboriginal	267	269			268
Subtotal	530	533			532
Other	264	265			265
	(Percent of Total)				
Total	100%	100%			
Aboriginal	33%	33%			33%
Non-Aboriginal	34%	34%			34%
Subtotal	67%	67%			67%
Other	33%	33%			33%

*Based on first six months 2008

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.

³ The definitions of priority groups are contained in Appendix One and the reporting requirements are listed in Appendix Two of the Diavik Socio-Economic Monitoring Agreement, available at www.diavik.ca.

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

Operating employment by community

Table 2 provides the Diavik Diamond Mine operations workforce by residence in first half 2008. On average there were 790 Diavik workers during the period and 508 (64 per cent) lived in the Northwest Territories or West Kitikmeot region of Nunavut. Some 342 workers (43 per cent) lived in Yellowknife while 57 (7 per cent) lived in Hay River, 36 (5 per cent) lived in Behchoko and 25 workers (3 per cent) lived in Fort Smith. Another 48 workers (6 per cent) lived in various other NWT and West Kitikmeot communities.

Of Diavik's southern workers, 162 (20 per cent) lived in Alberta while 119 (15 per cent) lived in other parts of Canada.

Diavik's northern employment by priority group (Table 1) averaged 532 people (67 per cent) while northern employment by residence (Table 2) averaged 508 people (64 per cent).

Table 2: Diavik Diamond Mine Operations Phase*

Total Employees by Residence

	Jan-Mar	Apr-June	Jul-Sep	Oct - Dec	2008*	2008* (Percent)
Total	794	785			790	100%
Behchoko	36	36			36	5%
Deline	1	1			1	0%
Dettah	1	1			1	0%
Fort Good Hope	1	1			1	0%
Fort Providence	4	3			4	0%
Fort Resolution	13	12			12	2%
Fort Simpson	3	3			3	0%
Fort Smith	26	25			25	3%
Gameti	6	5			6	1%
Hay River	59	55			57	7%
Inuvik	1	2			1	0%
Lutsel K'e	5	2			3	0%
Norman Wells	1	1			1	0%
Wekweti	3	3			3	0%
Wha Ti	5	5			5	1%
Yellowknife	342	342			342	43%
Kugluktuk	7	7			7	1%
Northern Subtotal	512	504			508	64%
Alberta	163	161			162	20%
Other Canada	119	120			119	15%
Southern Subtotal	282	281			281	36%

Based on first six months 2008

New hires by priority group for operations phase

Table 3 provides the number of new hires by priority group for Diavik Diamond Mine operations during first half 2008. Diavik and its contractors hired 29 workers during January to June 2008. Of the total, six (24 per cent) were Aboriginal and nine (34 per cent) were other northerners who had previously resided in the Northwest Territories or Nunavut's West Kitikmeot region for six months or more. Northerners who had resided in the North for less than six months accounted for two (seven per cent) of the new hires and there were 12 (35 per cent) other Canadians. In total, northerners comprised 65 per cent of Diavik's total new employment for operations during the period.

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

	Jan-Mar	Apr-Jne	Jul-Sep (Number)	Oct-Dec	2008*
Total	18	11			29
Aboriginal	5	2			6
Northerner (+6 mos)	5	4			9
Northerner (-6 mos)	0	2			2
Subtotal Northern	10	8			17
Other Canadian	8	3			12
			(Percent of Total)		
Total	100%	100%			100%
Aboriginal	29%	18%			24%
Northerner (+6 mos)	28%	41%			34%
Northerner (-6 mos)	0%	15%			7%
Subtotal Northern	57%	74%			65%
Other Canadian	43%	26%			35%

*Based on first six months 2008

Employment by job category and priority group for operations

Table 4 provides the Diavik Diamond Mine operations workforce by job category and priority group for first half 2008. Diavik's total operations workforce was comprised of 24 management, 109 professional, 255 skilled, 319 semi-skilled, and 89 unskilled workers. Northerners accounted for 100 per cent (management), 59 per cent (professional), 40 per cent (skilled), 84 per cent (semi-skilled), and 82 per cent (unskilled) in these categories respectively.

- "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.
- "Unskilled" is defined as having high school graduation or GED along with some work experience.

Table 4: Total Employees by Job Category and Priority Group*							
			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	2008*
	Grand Total		794	798			796
Management	Total workers		25	23			24
		Aboriginal	3	2			3
		Non-Aboriginal	22	21			22
		Subtotal	25	23			24
		Other	0	0			0
	Per cent workers	Aboriginal	12%	9%			10%
		Non-Aboriginal	89%	91%			90%
		Subtotal	101%	100%			101%
		Other	0%	0%			0%
Professional	Total workers		110	109			109
		Aboriginal	11	11			11
		Non-Aboriginal	54	52			53
		Subtotal	65	64			64
		Other	46	45			45
	Per cent workers	Aboriginal	10%	10%			10%
		Non-Aboriginal	49%	48%			49%
		Subtotal	59%	59%			59%
		Other	42%	41%			41%
skilled	Total workers		259	251			255
		Aboriginal	49	42			46
		Non-Aboriginal	57	57			57
		Subtotal	107	99			103
		Other	153	152			153
	Per cent workers	Aboriginal	19%	17%			18%
		Non-Aboriginal	22%	23%			22%
		Subtotal	41%	39%			40%
		Other	59%	61%			60%
Semi-skilled	Total Workers		310	327			319
		Aboriginal	152	163			158
		Non-Aboriginal	106	112			109
		Subtotal	258	275			267
		Other	52	52			52
	Per cent workers	Aboriginal	49%	50%			49%
		Non-Aboriginal	34%	34%			34%
		Subtotal	83%	84%			84%
		Other	17%	16%			16%
Unskilled	Total workers		90	88			89
		Aboriginal	46	46			46
		Non-Aboriginal	28	27			28
		Subtotal	74	73			74
		Other	16	15			16
	Per cent workers	Aboriginal	51%	52%			51%
		Non-Aboriginal	31%	31%			31%
		Subtotal	82%	83%			82%
*First six months 2008		Other	18%	17%			18%

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 personnel and advisory 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
- Local career fair attendance

Northern outsourcing

To assist in raising northern business capacity, Diavik has outsourced approximately half its operations workforce to contractors. Virtually all are northern businesses and the majority are Aboriginal. The remainder are employed by Diavik Diamond Mines Inc. Diavik believes through outsourcing contracts, northern firms can become better positioned to service other resource-based projects and will outgrow reliance on Diavik. This approach also has the potential to create additional new career opportunities for northerners. Diavik works with contractors to ensure their policies and procedures are aligned with those of Diavik Diamond Mines Inc., and that they also help Diavik meet its many commitments (section B of this report contains further details). In addition to outsourced operations contractors, Diavik also utilizes the services of many other northern and Aboriginal firms. For a more comprehensive list of DDMI contractors see Table 5 in Section B of this report.

Northern employment for capital projects

Table 5 provides the average number of Diavik employees⁵ and the per cent of total by priority group⁶ for major capital (underground mine construction) work undertaken at the Diavik Diamond Mine in first half 2008. Diavik and its contractors employed an average of 500 workers for capital projects in first half 2008. This is in addition to employment to maintain mining operations. On average there were 19 Aboriginal and 30 non-Aboriginal workers accounting for nine per cent of total employment over this period. Others comprised an average of 454 (91 per cent) of employees in first half 2008.

**Table 5: Diavik Diamond Mine
Total Employees for Capital Projects by Priority Group***

	Jan-Mar	Apr-Jne	Jul-Sep	Oct-Dec	2008*
	(Number)				
Total	308	696			503
Aboriginal	16	21			19
Non-Aboriginal	29	31			30
Subtotal	45	52			49
Other	263	644			454
	(Percent of Total)				
Total	100%	100%	100%	100%	100%
Aboriginal	5%	3%			4%
Non-Aboriginal	9%	4%			6%
Subtotal	15%	7%			10%
Other	85%	93%			90%

*Based on first six months 2008

⁵ The average number of DDMI and its contractor employees for each quarter is calculated by summing an average of the months. The annual total is an average of the quarters. This assumes that each employee was employed full time for each month the employee was reported. Therefore the average annual number of employees equals person-years of employment.

⁶ The definitions of priority groups are contained in Appendix One and the reporting requirements are listed in Appendix Two of the Diavik Socio-Economic Monitoring Agreement, available at www.diavik.ca.

Section B: northern business benefits

Northern purchasing objective

During the mine's approval process, Diavik projected that annual purchase of goods and services needed to support mine operations would be \$100 million annually. Consequently, Diavik committed to purchase⁷ at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been significantly higher and first half 2008 operating and capital expenditures totalled \$385.8 million. Of this, \$260.4 million (68 per cent) was spent with Northern businesses during the first six months of 2008 (Table, 6, 9, 10).

Diavik northern business participation initiatives

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

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

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

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

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

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

⁷ SEMA Appendix C, part 5. The objectives are subject to the ability of businesses in these priority groups to supply the required goods and services.

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

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

Examples of northern business participation activities undertaken in 2008 include:

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

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

Combined northern business success

Table 6 gives operations and capital spending by priority group during the first half 2008. Table 7 presents a sample of northern and northern Aboriginal businesses supporting Diavik in first half 2008.

In first half 2008, Diavik's combined operations and capital expenditures were \$385.8 million. The value of spending to northern businesses was \$260.4 million (68 per cent). Spending with Aboriginal businesses was \$131.7 million (34 per cent). Spending with Northern non-Aboriginal business was \$128.7 million (33 per cent). Other Canadian and foreign businesses accounted for the remaining \$125.3 million (32 per cent). Spending over the first six months was marginally below the 70 per cent objective but Diavik is confident full-year spending will meet it.

**Table 6: Diavik Diamond Mine Operations Phase
Diavik Expenditures by Priority Group in First Half 2008**

Business Priority Group	January to June	July to December	Total*
	(Millions of Dollars)		
Total	385.8		385.8
Northern Aboriginal	131.7		131.7
Other Northern	128.7		128.7
Subtotal Northern	260.4		260.4
Other Canadian and foreign	125.3		125.3
	(Percent of Total)		
Total	100%		100%
Northern Aboriginal	34%		34%
Other Northern	33%		33%
Subtotal Northern	68%		68%
Other Canadian and foreign	32%		32%

*Based on first six months 2008

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

NORTHERN BUSINESSES NORTHERN ABORIGINAL BUSINESSES

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

Section C: capital and operating summaries

Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in January 2003. In the first half of 2008, in addition to commercial operations, workers continued to prepare the A418 pit for production in 2008 and the underground mine for 2009 production start. Table 8 summarizes employment results achieved by Diavik and its contractors from 2000 through June 2008.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008*	Total 2000- 08*
	(Average Number of Employees)									
Total Employment	297	1,031	1,114	611	719	1,085	1,068	1,286	1,296	8,507
Aboriginal	78	245	214	221	259	290	272	299	283	2,161
Non-Aboriginal	87	182	268	223	258	296	292	311	298	2,215
Subtotal	165	427	482	444	517	586	564	609	579	4,373
Other Canadian	132	604	632	167	202	499	504	693	719	4,152
Total Operating	0	0	0	611	719	727	735	773	796	4,361
Aboriginal	0	0	0	221	259	256	245	260	264	1,505
Non-Aboriginal	0	0	0	223	258	257	253	268	268	1,527
Subtotal	0	0	0	444	517	513	497	527	532	3,030
Other Canadian	0	0	0	167	202	214	238	262	265	1,348
Total Capital	297	1,031	1,114	0	0	358	333	513	503	4,149
Aboriginal	78	245	214	0	0	33	27	39	19	655
Non-Aboriginal	87	182	268	0	0	40	40	43	30	690
Subtotal	165	427	482	0	0	73	67	82	49	1,345
Other Canadian	132	604	632	0	0	285	266	431	454	2,804
	(Percent of Total)									
Total Employment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	25%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	26%
Subtotal	56%	41%	43%	73%	72%	54%	53%	50%	45%	51%
Other Canadian	44%	59%	57%	27%	28%	46%	47%	50%	55%	49%
Total Operating	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	33%	35%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	34%	35%
Subtotal	0%	0%	0%	73%	72%	71%	68%	66%	67%	69%
Other Canadian	0%	0%	0%	27%	28%	29%	32%	34%	33%	31%
Total Capital	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	16%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	17%
Subtotal	56%	41%	43%	0%	0%	20%	20%	16%	10%	32%
Other Canadian	44%	59%	57%	0%	0%	80%	80%	84%	90%	68%

2003 and 2004 capital employment with Total

*Based on first six months 2008

Capital and operations employment

Table 8 describes Diavik's historical capital and operations employment. For the initial construction phase of the project (2000-2002), Diavik undertook⁸ that at least 40 per cent of total employment, including contractors, would be northerners. 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 PKC dam height, and to construct the underground mine. Construction over the period 2005-2007 employed an average of 401 workers annually, of whom 18 per cent (74) were northern and 8 per cent (33) were Aboriginal. In the first half of 2008, Diavik contracted an average of 503 construction workers of whom 9 per cent (49) were northern and 4 per cent (19) were Aboriginal.

For operations, Diavik set employment objectives at 66 per cent northern employment and 40 per cent Aboriginal employment, based on an expected workforce of 400 ± 50.

From 2003 to 2007, Diavik's operations workforce averaged 713 workers, well above the original projection of 400 ± 50. Priority northern workers averaged 70 per cent (500), and Aboriginal workers averaged 35 per cent (248). In the first half of 2008, Diavik's operations workforce averaged 796, of whom 67 per cent (532) were priority northern and 33 per cent (264 workers) were Aboriginal. Of the northern workforce, the proportion of Aboriginal workers represents nearly 50 per cent, closely matching the NWT's demographics.

Capital and operations business spending

Table 9 describes Diavik's historical capital and operations business expenditures. Diavik undertook⁹ that throughout the capital or construction phase of the project that at least 38 per cent of the total capital expenditures would be with northern businesses. Of the \$1.2 billion in construction contracts awarded during the 2000 to 2002 construction phase, the value of northern contracts was just over \$874 million or 74 per cent (Table 9). This was almost double the objective of 38 per cent DDML committed to in the Diavik Socio-Economic Monitoring Agreement. Northern Aboriginal spending during construction was \$604 million, or 51 per cent of the total.

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

For the second phase of construction commencing in 2005, Diavik combined operations and construction contracts wherever possible and practical. As a result, expenditures reported from 2003 to date combine capital and operations expenditures. From the start of operations in 2003 to mid-year 2008, Diavik spent a total of \$2.541 billion of which \$1.856 billion (73 per cent) was northern and \$1,001 billion (54 per cent) was northern Aboriginal.

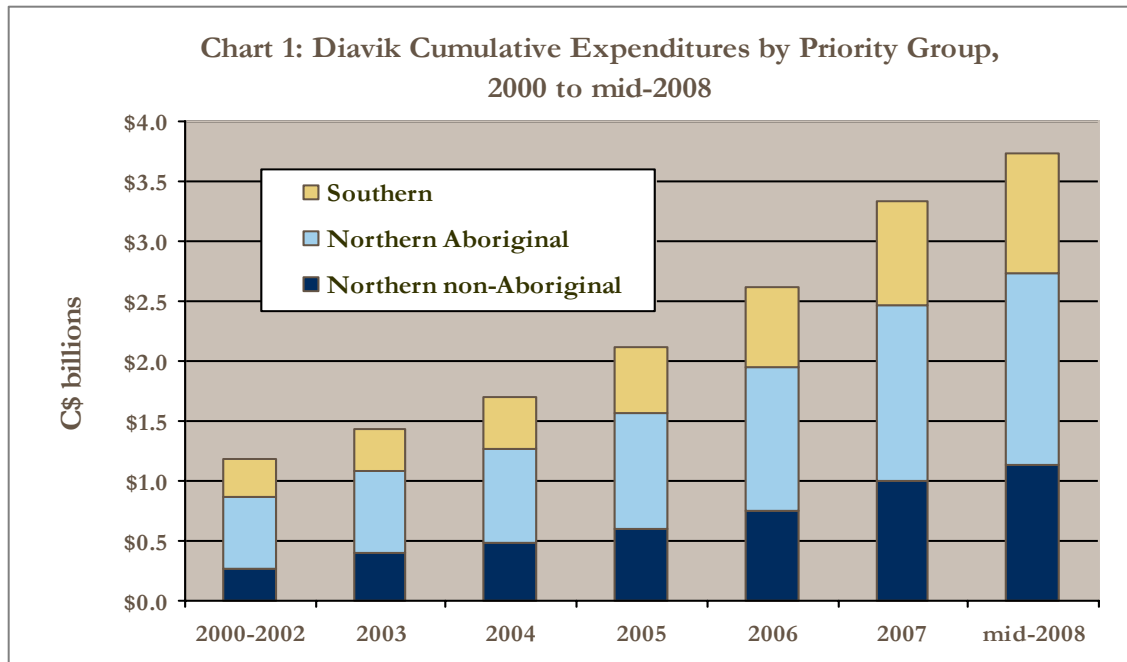
In summary, when all expenditures from 2000 to mid-year 2008 are combined (Table 9 and Chart 1), Diavik has spent a total of \$3.725 billion of which \$2.730 billion (73 per cent) are northern and \$1.605 billion (43 per cent) are Aboriginal. As a result of increased annual operations spending, and major capital investment throughout the project life, Diavik has significantly exceeded its northern purchasing target and expenditures.

⁸ SEMA Appendix A, part 3(a). The objectives were subject to applicable laws and regulations and the availability of persons in the priority groups with the required skills, training and experience.

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

	Capital Phase	Operating Phase						All Phases	
	Subtotal 2000-02	2003	2004	2005	2006	2007	2008*	Subtotal 2003-08*	Grand Total 2000-08*
Annual Expenditures (Millions of Dollars)									
Total	1,184	252	269	415	492	727	386	2,541	3,725
Northern	604	71	96	203	223	276	132	1,001	1,605
Aboriginal									
Other Northern	270	131	87	108	156	245	129	856	1,126
Subtotal Northern	874	202	183	311	379	521	260	1,856	2,730
Other Canadian	310	50	87	104	113	206	125	685	995
(Percent of Total)									
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Northern	51%	28%	35%	49%	45%	38%	34%	39%	43%
Aboriginal									
Other Northern	23%	52%	32%	26%	32%	34%	33%	34%	30%
Subtotal Northern	74%	80%	68%	75%	77%	72%	67%	73%	73%
Other Canadian	26%	20%	32%	25%	23%	28%	32%	27%	27%

*Based on first six months 2008



Section D: workforce development

Site-based training

Most of Diavik's training is focused on site-based programs to train all employees on Diavik-specific equipment for safe and productive employment and to maintain compliance with Rio Tinto safety standards. For example, Diavik carries out training on overhead cranes, small loaders, aerial work platforms, technology systems, and in security systems as well as training on air exchange units, HVAC systems, and a range of specialized operations and maintenance training on mobile equipment.

Other site-based training areas include:

- Process plant operations
- Process plant maintenance
- Operations and maintenance
- Mine operations/equipment
- Mine maintenance
- Safety systems including safety management audit and equipment-specific training initiatives
- Continuous business improvement processes such as 6 Sigma™
- Integrated process management
- Industrial standard first aid
- Level I and II mine safety certification
- Environmental management systems
- Mine rescue certification
- Blasting certification
- Delta-V process control
- Underground miner

Workplace learning centre

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

Underground transition pilot program

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

Aboriginal leadership development program

Diavik employs several northern Aboriginal people in supervisory and management positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, in 2004 Diavik developed an Aboriginal Leadership Development Program in partnership with SAIT Polytechnic. The program includes DDMI and contractor employees. As well as covering the customized curriculum which is based on Rio Tinto leadership competencies, participants were also matched with a DDMI supervisor for mentoring. In 2005, its first offering produced seven graduates; 11 graduated in 2006; and eight graduated in late 2007. All graduates receive a certificate from SAIT recognizing their achievement. Since inception, approximately one-third of program graduates have advanced in their careers.

Skilled trades

Diavik has committed to train from eight to 18 apprentices annually. Since the beginning of operations, 14 northerners have successfully completed their apprenticeships and achieved Journeyperson certification from the Government of the Northwest Territories. As 30 June 2008 there were 19 northern apprentices working towards certifications in the following trades:

Trade Type	DDMI*	TCL*	KLF*	ESI*	Total
Electrical	2	1	-	-	3
Food Services	-	-	-	2	2
Heavy Duty Technician	4	1	-	-	5
Instrumentation Technician	2	-	-	-	2
Light Duty Mechanics	-	-	2	-	2
Mobile Crane Operator	-	1	-	-	1
Millwright	-	1	-	-	1
Welding	-	3	-	-	3
Total	8	7	2	2	19

*DDMI (Diavik Diamond Mines Inc.); TCL (Tlicho Logistics Inc.); KLF (Kingland Ford); ESI (Ekati Services Inc.)

Aboriginal skills & employment partnership (ASEP)

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

The NWT Mine Training Society (MTS) was created to administer approximately \$15 million of ASEP funding in addition to the resources available from others. The MTS board of directors consists of representatives of the North Slave Métis, Yellowknives Dene, Tlicho Government, and the Lutsel K'e Dene, the three major diamond mining companies, and the territorial government with observers from the regional HRSDC office. The purpose of ASEP is to increase the number of northern Aboriginal people participating in mining industry.

In the first half of 2008, Diavik continued to leverage resources available through the MTS partnership to train Aboriginal candidates in heavy duty technicians and mining administration assistance. Diavik contractors also participate and are being trained at the mine site.

The following programs receive MTS funding:

Apprenticeships (heavy equipment technician)

Four heavy duty mechanic apprentices successfully completed their level 2 academic training. These apprentices, all of whom are Aboriginal, work in Diavik's mine site maintenance shop and assist with mine fleet maintenance. Funding for these four apprenticeships is shared between Diavik and the NWT Mine Training Society (MTS).

Apprenticeships (contractor support)

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

Underground miner training program

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

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

Administrative support

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

Summer student placement

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

Section E: cultural and community well-being

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

Cultural awareness, community well-being and employee wellness program

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

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

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

Scholarships

In 2008, 136 recipients received \$215,000 in Diavik scholarship awards. Since inception in 2001, the Diavik scholarship program has awarded over \$1.4 million through individual scholarships to residents of the Northwest Territories and Nunavut's West Kitikmeot region. Scholarships are awarded by a Diavik Diamond Mines Inc. scholarship committee and through the five Participation Agreement implementation committees.

These committees are co-managed by Diavik and representatives of the five neighbouring Aboriginal groups. The scholarship program includes high school, post-secondary, and employee family scholarships, bursary awards, as well as scholarships awarded through the National Aboriginal Achievement Foundation.

Other initiatives

- Delivery of cultural awareness workshops which is required for all DDMI employees in supervisory positions.
- Community relations programs that ensure community affairs department representatives attend special events like assemblies, elders' funerals, and significant community and cultural events.
- Mine tours for Aboriginal elders, women, and students.
- Collaborated with Yellowknives Dene First Nation and Diavik Community Advisory Board to conduct studies and surveys with our employees to assist in development of indicators for reporting on social impact issues.
- Donations program.