



DIAVIK DIAMOND MINE

SOCIO-ECONOMIC MONITORING REPORT FOR OPERATIONS JANUARY TO JUNE 2004

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

... Diavik is continuing this tradition.



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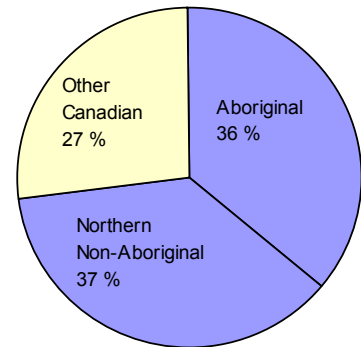
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HIGHLIGHTS

Operations Employment

- The operation of the Diavik Diamond Mine had an average of 708 employees during its first six months of operation in 2004
- Northern residents provided 516 employees
- Diavik employed 73 per cent Northern workers during the period Jan to June in 2004, exceeding Diavik's goal of 66 per cent

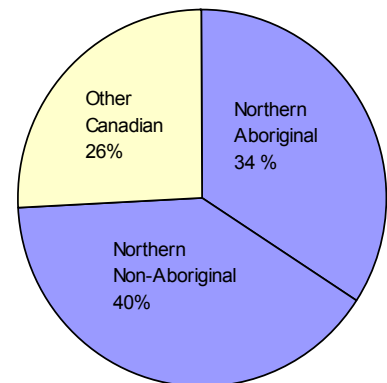
**Daivik Employment Jan to June 2004
Number of Employees**



Business Spending

- In the first six months of 2004, DDMI spent \$151 million on operations, of which \$111 Million, or 74 per cent, was with northern firms
- Of the \$151 million, DDMI spent \$60 million, or 40 per cent, with northern non-Aboriginal business
- Of the \$151 million, DDMI spent \$52 million, or 34 per cent, with Northern Aboriginal business
- Total operations and capital spending was \$177 million

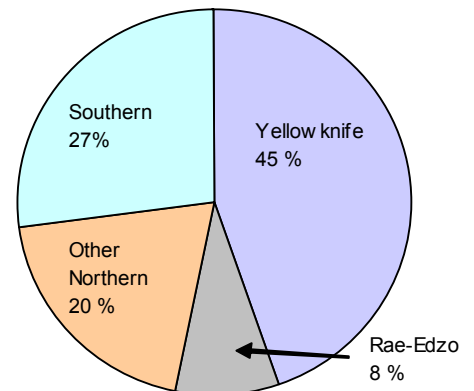
**Jan to June 2004 Operations Expenditures
by Priority Group**



Employment by Community

- During the first six months of 2004 Yellowknife was the community with the largest number of Diavik employees at 317, or 45 per cent, of the total
- Rae-Edzo had 58 employees, or eight per cent, and 141 employees, or 20 per cent, lived in other northern communities
- There were 192 southern workers comprising 27 per cent of total employment

**Jan to June 2004 Diavik Operating
Employment by Community**



DIAVIK DIAMOND MINES INC.

SOCIO-ECONOMIC MONITORING REPORT FOR OPERATIONS FROM JANUARY TO JUNE 2004

INTRODUCTION

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

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

On October 2, 1999, DDMI entered into a Socio-Economic Monitoring Agreement with the Government of the Northwest Territories, later ratified by the Dogrib Treaty 11 Council, the Yellowknives Dene Band, the Lutsel K'e Dene Band, the Kitikmeot Inuit Association and the North Slave Metis Alliance. The agreement specified that DDMI report twice a year on issues relating to employment and spending in the North during the construction and operation of the Diavik Diamond Mine. In January 2003, construction ended and commercial production of rough diamonds commenced. The transition from construction to operations in 2003 was reported in a single 2003 report.

This report, which is in five sections, represents the first of the semi-annual operations' reports and covers the period January 1 to June 30, 2004. Section A provides employment statistics for both DDMI and its contractors. Section B provides data on project spending commitments. Section C provides information on workforce development and Section D speaks to cultural and community well-being initiatives. Section E provides a historical summary of Diavik's employment.

The Diavik Socio-Economic Monitoring Agreement and the semi-annual SEMA reports can be found on the Diavik website at www.diavik.ca.

BACKGROUND – THE DIAVIK DIAMOND MINE

Diavik Diamond Mine Plan

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

DDMI plans to mine four diamond ore bodies, called kimberlite pipes, designated as A154North, A154South, A418, and A21 over an expected life of 16-22 years. All are located beneath the waters of Lac de Gras, just offshore of East Island. The pipes are small compared to the world average but contain a higher than average content of attractive, high quality, and readily marketable diamonds. All four pipes are expected to be mined by open pit mining methods. In addition, the richer pipes are expected to support underground mining. To allow open pit mining, DDMI will construct water diversion structures known as dikes, to allow the overlying waters to be removed temporarily for mining. In fall 2002, DDMI completed the first dike that encircles the A154 North and A154 South pipes, enabling commercial production to begin in January 2003. In 2004, DDMI commenced engineering work for the A418 dike, and feasibility studies for underground mining.

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

Diamonds are separated from the kimberlite ore using non-chemical, gravity-based methods to create a diamond-bearing heavy mineral concentrate. Subsequent removal of the diamonds from this concentrate is made possible using diamonds' unique quality of fluorescence under X-rays, allowing the grains to be separated from the non-diamond minerals. The waste minerals, or processed kimberlite, are placed in the Processed Kimberlite Containment area, a permanent, engineered containment area on the island.

Diesel fuel provides the bulk of the mine's energy needs, and is used for power generation, mobile equipment, and heating. Due to limited access to the site over the seasonal winter road fuel storage must be of sufficient capacity to supply one year's operations. Also because of the remote location, Diavik has an airstrip designed to receive a range of aircraft up to and including C130 Hercules transports and Boeing 737 passenger jets.

Diavik Operations Highlights

The Diavik Diamond Mine continued to perform well, and highlights over the first six months of 2004 included:

- ◆ In March, DDMI signed a memorandum of understanding with the City of Yellowknife under which DDMI would manage completion of the Yellowknife Multiplex Arena. Work to accelerate the project advanced as planned for a projected year-end completion.
- ◆ In April, DDMI successfully completed its winter road shipping season during which approximately 1,500 loads of fuel and other supplies were trucked over the seasonal ice road to the mine site. Among the shipments were three new additional Komatsu 830E

haul trucks, to be assembled on site. Backhauling included some wastes for disposal and recycling.

- ◆ In spring, Diavik concluded its winter exploration program, including geophysical surveys and diamond drilling. Two new kimberlite pipes were found, approximately 55 kilometres northeast of the mine site, and approximately four kilometres east of the A154 pit. The total number of kimberlite pipes and bodies on the Diavik claim block is 64.
- ◆ In June, DDMI completed a 69-room expansion of its main accommodations complex, bringing capacity in that facility to 385.
- ◆ Also in June, Diavik was presented with the John T. Ryan Regional Safety Award for Select Mines in Western Canada for its exemplary safety record in 2003. During the first six months of 2004, there were three lost time injuries, bringing Diavik's 2004 year-to-date lost time injury frequency rate to 0.64.
- ◆ By mid-year, 2004 diamond production had reached 3.8 million carats.
- ◆ Diavik operated in environmental compliance and work to certify Diavik's environmental management system to ISO14001 standards and the Product Splitting Facility to ISO 9001 standards proceeded as planned for a 2004 completion.
- ◆ On the community side, Diavik worked closely with government, community, and industry partners to conclude an Aboriginal Skills & Employment Program, which can access up to \$15 million in federal funding for Aboriginal mine training over the next four years.
- ◆ Diavik's Annual Charity Silent Auction raised \$20,000 for the local charities, the YWCA and the NWT Council for Persons with Disabilities.

SECTION A: NORTHERN EMPLOYMENT DATA

Employment Objective for the Mining Phase

Diavik's employment commitment¹ during the operations phase is to have total northern employment comprise 66 per cent of the workforce with Aboriginal employees making up at least 40 per cent of Diavik's workforce.

Employment Objective Success – Operations January to June 2004

NORTHERN EMPLOYMENT OBJECTIVE

Table 1 provides the number of DDMI person-years² and the per cent of total by priority group³ for the operation phase of the Diavik Diamond Mine for the first six months of 2004.

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

	Jan-Mar	Apr-June	Jul-Sep (Number)	Oct-Dec	2004
Total (persons)	691	724			708
Aboriginal Persons	249	263			256
Other Northerners	256	263			259
Subtotal Northerners	505	526			516
Other Canadians	186	198			193
			(Per cent of Total)		
Total (per cent)	100%	100%			100%
Aboriginal Persons	36%	36%			36%
Other Northerners	37%	36%			37%
Subtotal Northerners	73%	73%			73%
Other Canadians	27%	27%			27%

Diavik and its contractors employed an average of 708 employees during the first six months of 2004. On average there were 516 northern employees accounting for 73 per cent of total employment over this period. Of the northern employees, 256 (50 per cent) were Aboriginal and 259 (50 per cent)

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 DDMI and its contractor employees for each quarter is calculated by summing an average of the months. The annual total is an average of the quarters. This assumes that each employee was employed full time for each month the employee was reported. Therefore the number of employees equals the person-years of employment. The number of employees in this report and those presented in Diavik's annual Sustainable Development Report may differ because the number of employees in the latter report in some cases presents a 'snapshot' of the number of employees on December 31st while this report presents average annual employment for the period Jan 1st to December 31st.

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.

were other northerners. Other Canadians comprised an average of 192 (27 per cent) employees during the first six months of 2004.

Although Diavik did not reach the 40 per cent target for Aboriginal employees in the SEMA, the number of Aboriginal employees was substantially higher than the number predicted in the Socio-Economic Environmental Effects Report (SEER) on which the SEMA was based. In the SEER it was predicted that the total number of Aboriginal employees during production could be as high as 180. During the first six months of 2004, the actual number of Aboriginal employees was 256. DDMI and its contractors remain committed through DDMI's Aboriginal Employment Strategy to use best efforts to meet and exceed the 40 per cent target.

EMPLOYMENT BY COMMUNITY

Table 2 provides the distribution of DDMI and its contractor employees by region for the first two quarters in 2004. On average there were 708 DDMI employees during the period and 516 (73 per cent) lived in the North.

Some 317 (45 per cent) of DDMI employees lived in Yellowknife while 58 (eight per cent) lived in Rae-Edzo. Another 127 (18 per cent) of DDMI employees lived in other NWT communities. A total of 14 (two per cent) of Diavik's employees lived in Nunavut.

Of Diavik's southern employees, 115 (16 per cent) lived in Alberta while the other 77 (11 per cent) lived in other parts of Canada.

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

	Jan-Mar (Number)	Apr-Jne	Jul-Sep	Oct-Dec	2004
Yellowknife	311	322			317
Rae-Edzo	61	55			58
Other NWT	123	131			127
Nunavut	10	18			14
Subtotal Northern	505	526			516
Alberta	114	116			115
Other Canada	72	81			77
Total	691	724			708
	(Percent of Total)				
Yellowknife	45%	45%			45%
Rae-Edzo	9%	8%			8%
Other NWT	18%	18%			18%
Nunavut	1%	3%			2%
Subtotal Northern	73%	73%			73%
Alberta	17%	16%			16%
Other Canada	10%	11%			11%
Total	100%	100%			100%

NEW HIRES BY PRIORITY GROUP

Table 3 provides the number of new hires by priority group for the operation phase of the Diavik Diamond Mine for the first six months of 2004.

Diavik and its contractors hired 214 workers during the first six months of 2004. Of the total, almost half, or 99 (46 per cent), were Northern Aboriginals and another 53 (25 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 six (three per cent) of the new hires and there were another 56 (26 per cent) other Canadians. In total, northerners comprised 74 per cent of Diavik's total new employment during the period.

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

	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	2004
			(Number)		
Total	140	74			214
Northern Aboriginal	65	34			99
Northerner (+6 months)	33	20			53
Northerner (-6 months)	6	0			6
Subtotal Northern	104	54			158
Other Canadian	36	20			56
			(Percent of Total)		
Total	100%	100%			100%
Northern Aboriginal	46%	46%			46%
Northerner (+6 months)	24%	27%			25%
Northerner (-6 months)	4%	0%			3%
Subtotal Northern	74%	73%			74%
Other Canadian	26%	27%			26%

NORTHERN OUTSOURCING

To assist in raising northern business capacity, Diavik has outsourced much of its workforce requirements to northern businesses and approximately half of Diavik's workforce is supplied through outsourcing with these northern firms, with the remainder employed directly by Diavik Diamond Mines Inc.

Diavik believes that by outsourcing contracts, northern firms will become better positioned to service other new mining and resource-based projects. In terms of employment opportunities, this approach has the potential to create additional new career opportunities for northerners. Diavik works with these contractors to ensure that their policies and procedures are aligned with those of Diavik Diamond Mines Inc.

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 for security, and Denesoline Western Explosives. DDMI has worked closely with these Aboriginal-owned companies to assist them in building capacity so they will be better positioned to pursue potential future business opportunities.

Diavik also works with a number of other northern and northern Aboriginal firms. For a more comprehensive list of DDMI contractors see Table 6 in Section B, page 14 of this report.

SECTION B: NORTHERN BUSINESS BENEFITS

Northern Purchase Objective

Diavik committed to purchasing⁴ at least 70 per cent its goods and services from northern companies during operations.

Diavik Northern Business Participation Initiatives

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

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

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

Diavik's continued focus during the first six months of 2004 has been on increasing Aboriginal and northern business capacities so that the majority of Diavik's operating needs can be satisfied by the northern business community and that project-related northern businesses will be better positioned to service other new mining and resource-based projects on the horizon.

In addition to building on its successes, DDMI has adopted a business improvement and planning model for mine contractors and services providers. The model is based on the notion that for Diavik to succeed in fulfilling all of its agreement and business objectives, its supporting 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 unique initiative, all Diavik contractors are required to prepare detailed 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

Each of the elements, including reporting requirements/frequencies will now be incorporated into renewed/extended contracts, and will form the basis for ongoing monthly performance measurement 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 new business model is aimed at achieving excellence in the total business equation – core business deliverable of yield and cost, and in the areas of Aboriginal participation, environmental and socio-economic performance, and best practices. Drawing a balance between these important elements will set all participants on Diavik's course of achieving a sustainable mine contributing to sustainable communities.

A sample of northern business participation activities undertaken in 2004 include:

- Publication of the Year 2004 and Beyond Northern Business Opportunities Profiles
- Information sessions on project-related opportunities in most Aboriginal Participation Agreement holder communities, as well as Cambridge Bay, Hay River, Kugluktuk, and Gjoa Haven
- Alignment of special and general contract conditions to increase northern business involvement in mine operations and to ensure Diavik's SEMA and Aboriginal Participation Agreement obligations are incorporated at all levels of the supply/service chain for the balance of construction and during mine operations. This alignment process establishes the foundation for DDMI's new business model for creating and balancing contractor performance accountabilities
- Northern vendor and contractor registration process and pre-qualification database
- Continued orientation of site contractors on Diavik's Northern Business Participation Policy
- Local/regional business capacity/opportunity assessment
- Continuation of Diavik's program to encourage the establishment of Aboriginal and non-Aboriginal joint ventures to serve the needs of Diavik and the mining industry in general

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

Northern Business Success

Table 4 gives the value of spending by business preference category for operations (including the on going capital program) during the first six months of 2004.

TOTAL OPERATIONS EXPENDITURES

During the first six months of 2004 Diavik's total expenditures on operations were \$151 million.

The value of spending to northern businesses was \$111 million (74 per cent) exceeding Diavik's objective of 70 per cent committed to operations in the Diavik Socio-Economic Monitoring Agreement.

Aboriginal businesses received \$52 million (34 per cent) of the total. Northern Non-Aboriginal business received an additional \$60 million (40 per cent). Other Canadian and foreign businesses

accounted for the remaining \$40 million (26 per cent).

**Table 4: Diavik Diamond Mine Operations Phase
Diavik Expenditures by Priority Group - January 1 to June 30, 2004**

Business Priority Group	Operations	Capital	Total
	(Thousands of Dollars)		
Total (dollars)	150,767	25,811	176,578
Northern Aboriginal	51,586	7,767	59,353
Northern Non-Aboriginal	60,277	1,992	62,268
Subtotal Northern	111,862	9,759	121,621
Other Canadian and Foreign	38,905	16,052	54,957
	(Per cent of Total)		
Total (per cent)	100%	100%	100%
Northern Aboriginal	34%	30%	34%
Northern Non-Aboriginal	40%	8%	35%
Subtotal Northern	74%	38%	69%
Other Canadian and Foreign	26%	62%	31%

TOTAL CAPITAL EXPENDITURES

During the first six months of 2004 Diavik's total capital expenditures were \$26 million.

The value of spending to northern businesses was \$10 million (38 per cent). Aboriginal businesses received \$8 million (30 per cent) of the total. Northern Non-Aboriginal business received an additional \$2 million (eight per cent). Other Canadian and foreign businesses accounted for \$16 million (62 per cent).

TOTAL OPERATIONS AND CAPITAL EXPENDITURES

For the first six months of 2004, Diavik's combined operations and capital expenditures were \$177 million, of which \$151 million was for operations, and \$26 million was for capital projects.

The value of combined spending to northern businesses during the first two quarters of 2004 was \$122 million (69 per cent) of the total value of spending of \$177 million. Aboriginal businesses received \$59 million (34 per cent) of the total. Northern Non-Aboriginal business received an additional \$62 million (35 per cent). Other Canadian and foreign businesses accounted for the remaining \$55 million (31 per cent).

Table 5: Diavik Diamond Mine Operations Phase List of Major Businesses with Committed Contracts by Preference Category⁵

NORTHERN BUSINESSES

ADCO North Limited
 Air Tindi Ltd.
 Arctic Divers
 Arctic Sunwest Charters
 Artisan Press Ltd.
 Aurora Geosciences Ltd.
 Bellanca Developments
 Bromley & Sons Ltd.
 Buffalo Airways Ltd.
 Coneco Equipment Ltd.
 Danmax Communication Ltd.
 Finning Canada Ltd.
 Fountain Tire Mine Services
 Frontier Mining & Industrial Supplies
 G&G Expediting
 Great Slave Helicopters
 Imperial Oil Limited
 Kingland Ford
 Lifeworks Counselling Services
 Nahanni Construction Ltd.
 Midwest Drilling Ltd.
 Northern Communication And Navigation
 Ollerhead Surveys Ltd.
 Reid Crowther
 Ron's Auto
 Ryfan Electric
 RTL Robinson Enterprises Ltd.
 Slade's Fire Protection
 Weaver & Devore Ltd.

ABORIGINAL BUSINESSES

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

⁵ This list represents only a small portion of the hundreds of companies with which DDMI does business.

SECTION C: WORKFORCE DEVELOPMENT

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

ABORIGINAL EMPLOYMENT STRATEGY

Diavik has created significant employment opportunities in the North. During mine operations, Diavik's northern Aboriginal employment commitment is 40 per cent. Over the first six months of 2004, Diavik employed an average of 256 Aboriginal northerners, or 36 per cent of the average total workforce.

To help Diavik reach the 40 per cent Aboriginal employment commitment set out in the Socio-Economic Monitoring Agreement, Diavik adopted an Aboriginal Employment Strategy during the first half of 2004.

The strategy focuses on pre-employment initiatives, recruiting, employee retention, and employee development initiatives. Examples include seeking Aboriginal workers for semi-skilled positions created as Diavik workers advance to apprenticeships and, where applicable, nominating Aboriginal employees to available positions.

Aboriginal Management Development Program

Currently, Diavik employs several northern Aboriginal people in supervisory and management positions. However, Diavik's goal is to increase, over time, the number of Aboriginal people at the supervisory and management level.

To help achieve this goal, Diavik's Aboriginal Employment Strategy includes an Aboriginal management development program. This program, which includes Diavik Diamond Mines Inc. and contractors, will be developed in partnership with northern Aboriginal groups and educational institutions.

TRAINING AND OTHER WORKFORCE DEVELOPMENT INITIATIVES

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

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

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

Apprenticeships

As of mid 2004, there were 17 apprentices working at the Diavik Diamond Mine, 12 with Diavik Diamond Mines Inc. and five with on-site contractors. Trades include electrician, millwright, instrumentation technician, welder, heavy duty mechanic, and automotive mechanic. All apprentices are northern and two-thirds are Aboriginal.

Site-Based Training

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

Other site-based training areas include:

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

Community-Based Training

During construction of the mine, Diavik developed a unique community-based training partnership to help prepare residents for work on the project. Diavik trained nearly 250 people, many of whom went on to successful employment with Diavik and other companies. Although there were no community-based training initiatives during the first six months of 2004, Diavik continues to support community-based training programs with various programs planned. Diavik's recent work to help create the new multi-million dollar Aboriginal Skills Employment Program is expected to provide many new opportunities.

Workplace Learning Centre

At Diavik's Workplace Learning Centre, two adult educators provide full-time support to workers who wish to upgrade skills. Their 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.

Scholarships

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

Scholarships are awarded by a scholarship committee and through the five Participation Agreement implementation committees. These committees are co-managed by Diavik and representatives of the five neighbouring Aboriginal groups including the Yellowknives Dene Band, Dogrib Treaty 11 Council, North Slave Metis Alliance, Kitikmeot Inuit Association, and Lutsel K'e Dene Band.

The scholarship program includes high school, post-secondary, and employee family scholarships, bursary awards, as well as scholarships awarded through the National Aboriginal Achievement Foundation.

Employee Development

DDMI believes that employees are valuable resources that form the foundation of a successful business. Providing higher education or career advancement is essential in retaining a loyal, skilled workforce throughout the life of the mine and Diavik supports employees in these pursuits. The long-term success and advancement of employees will contribute positively towards the sustainability of the business by reducing costs associated with turnover, and will contribute to the employee's overall well-being and to that of their home communities. During 2004, several employees initiated or continued training and development plans.

SECTION D – CULTURAL AND COMMUNITY WELL-BEING

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

During the construction phase, DDMI initiated 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 Aboriginal teachers to address the needs of DDMI's workforce and the program continues to be offered to Diavik employees.

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

During 2004, Diavik had several initiatives to support development of a long-term approach to project-related cultural and employee/community well-being. These include:

- Delivery of cultural awareness workshops, mandatory for all DDMI employees
- Community Relations programs that ensures Community Affairs department representatives attend all special events like assemblies, elders' funerals, and significant community and cultural events
- Family Circles Program aimed at supporting mine employees and their families
- Diavik Diamond Mine tours for Aboriginal elders, women and students
- Presentations on Security Awareness to Aboriginal elders and community leaders
- Donations Policy
- Scholarship Policy

SECTION E – HISTORICAL SUMMARY OF DIAVIK’S EMPLOYMENT

Construction of the Diavik Diamond Mine took place from 2000 to 2002 and commercial diamond production commenced in late January 2003.

Diavik undertook⁶ that throughout the construction phase of the project that at least 40 per cent of the total employment, including contractors, would be northerners. During the operations phase, Diavik set a target of 66 per cent northern employment and 40 per cent Aboriginal employment.

Table 6 presents the results achieved by Diavik and its contractors for the period 2000 to 2004.

During the construction phase, Diavik exceeded its northern employment target of 40 per cent in every year, reaching 55 per cent in 2000, 41 per cent in 2001, and 43 per cent in 2002. During those years Diavik employed 165, 427, and 482 northerners respectively.

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

	2000	2001	2002	2003	2004*
	(Number)				
Total (persons)	298	1,031	1,113	611	708
Aboriginal Person	78	245	214	221	256
Other Northerner	87	182	268	223	259
Subtotal Northern	165	427	482	444	516
Other Canadian	132	604	632	167	192
	(Per cent of Total)				
Total (per cent)	100%	100%	100%	100%	100%
Aboriginal Person	26%	24%	19%	36%	36%
Other Northerner	29%	18%	24%	37%	37%
Subtotal Northern	55%	41%	43%	73%	73%
Other Canadian	45%	59%	57%	27%	27%

*Based on the average for Jan-June 2004

During the operations phase in 2003 and 2004 Diavik exceeded its northern employment objective of 70 per cent, reaching 73 per cent in both years. Diavik employed 444 northerners in 2003 and has averaged 516 during the first six months of 2004.

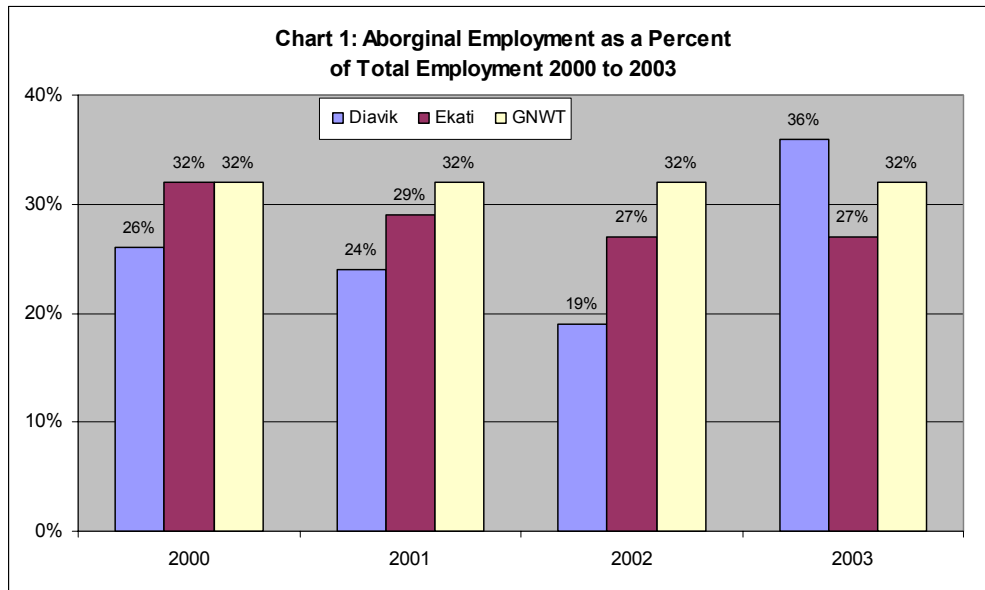
Although Diavik fell just short of the 40 per cent target in the SEMA, Aboriginal employment did reach 36 per cent in 2003 and during the first six months of 2004.

Diavik employed an average of 221 Aboriginal northerners in 2003 and 256 for the first six months of 2004. This level of employment was substantially higher than the number predicted in the Socio-Economic Environmental Effects Report (SEER) on which the SEMA was based. In the SEER it was predicted that the total number of Aboriginal employees during production could be as high as 180.

⁶ 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.

Charts 1 and 2 present the proportion Aboriginal employment is of total employment and northern employment. For reference purposes data is presented for other major employers in the NWT where similar information is available.

During construction, Diavik did not establish an Aboriginal employment target (there was an overall target for northern employment of 40 per cent which Diavik exceeded in all years). Diavik set a target of 40 per cent Aboriginal employment for the operations phase which began in 2003.

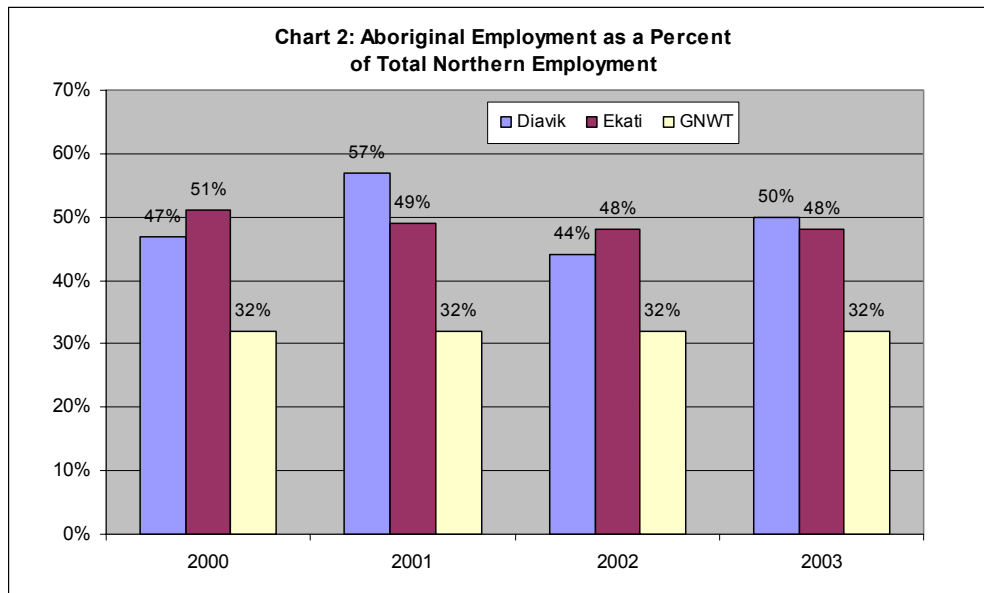


During the construction phase from 2000 to 2002, Diavik had an expected lower per cent of Aboriginal employment than either the operating Ekati Mine or the GNWT⁷.

In 2003 the first year of operations, Diavik increased its share of Aboriginal employment to 36 per cent.

⁷ It must be noted that Ekati was in commercial production over the entire period. Diavik was in the construction phase from 2000 to 2002 and commenced production in 2003.

Chart 2 shows the percentage Aboriginal employment is of total northern employment (southern employment has been excluded).



As shown on Chart 2, on average, over construction and operations phases of Diavik, Aboriginal employment has been about one-half of total northern employment.

Aboriginal residents comprised 43 per cent of the total population in the southern NWT⁸ where both Ekati and Diavik operate and hire almost all NWT employees.

In the case of both diamond mines Aboriginal employment is well represented⁹ based on its share of the total population base. Aboriginals comprise 50 per cent of Diavik’s northern employment and 48 per cent of Ekati’s while making up 43 per cent of the total population.

⁸ Based on 2001 Census data for the Fort Smith Region of the NWT. The Fort Smith Census Division comprises the southern NWT – i.e. the Deh Cho, Dogrib, South Slave, and Yellowknife regions.

⁹ If a population group exceeds its share of the overall population base it is said to be “over represented” while if it falls below it is said to be “under represented”.