

Diavik Diamond Mine

2010 socio-economic monitoring agreement report

31 January 2011

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Introduction

The Diavik Diamond Mine, located 300 kilometres northeast of Yellowknife, Northwest Territories, Canada, is an unincorporated joint venture between Diavik Diamond Mines Inc. (60%) and Harry Winston Diamond Limited Partnership (40%). Both companies are headquartered in Yellowknife, Canada. Diavik Diamond Mines Inc. (DDMI) is a wholly owned subsidiary of Rio Tinto plc of London, England, and Harry Winston Diamond Limited Partnership is 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 Socio-Economic Monitoring Agreement with the Government of the Northwest Territories, later ratified by the Tlicho Government, the Yellowknives Dene First Nation, the Lutsel K'e Dene First Nation, the Kitikmeot Inuit Association, and the North Slave Metis Alliance. The agreement specified that Diavik Diamond Mines Inc. report twice a year on issues relating to employment and spending in the North during the construction and operation of the Diavik Diamond Mine. The annual and mid year reports are provided to the Diavik Communities Advisory Board (DCAB), which was created under the SEMA, and to the Government of the Northwest Territories, and are posted on Diavik's web site (www.diavik.ca) in the reports and publications section. Our representatives on the DCAB currently include senior management, specifically our president and our vice president, operations.

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

This report is for 1 January 2010 to 31 December 2010 and is in five sections covering 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 Socio-Economic Monitoring Agreement along with this and previous SEMA reports can be found on our web site at www.diavik.ca in the reports and publications section.

Background

The Diavik Diamond Mine is located on a 20 square kilometre island informally called East Island in Lac de Gras, 300 kilometres by air northeast of Yellowknife, Northwest Territories. The Diavik mine plan includes three diamond bearing ore bodies, or kimberlite pipes, named A154 North, A154 South, and A418. All three pipes were located beneath the waters of Lac de Gras, just offshore of East Island. For open pit mining, rockfill structures known as dikes were engineered and constructed to allow the overlying waters to be removed temporarily. In 2002, Diavik completed the first dike around the A154 North and A154 South pipes to allow diamond mining to begin in 2003. In 2007, Diavik completed construction of the second dike, called A418 after the name of the pipe that it encircles.

In February 2010, production and processing of initial kimberlite ore mined from Diavik's new underground mine commenced. Under the current life of mine plan, diamond production from underground is projected to continue beyond 2020. Open pit mining is expected to cease in 2012, when Diavik is expected to become an all-underground mine.

During 2010, open pit mining within the A418 pit continued. In the A154 open pit, work crews extracted the A154 north pipe crown pillar using a mining method known as 'open sky' or open benching. The open pit mining phase has now come to a close in the A154 open pit.

Diavik's total mine life remains within the 16 to 22 years projected in the original 1999 feasibility study.

All of the mine's physical plant is confined to East Island and includes an ore processing plant, operations and construction workforce accommodations and recreational facilities, maintenance shop, fuel storage tanks, heating plant, sewage treatment plant, water treatment plant, explosives manufacturing facilities, paste backfill and crusher plants for underground, and powerhouses. Elevated 'arctic corridors' carry services and provide enclosed walkways connecting buildings.

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

2010 reporting period highlights

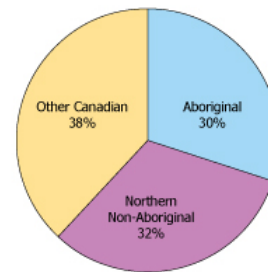
- During 2010, we experienced one lost time injury and four medical treatments. Our lost time injury and all incident frequency rates were 0.08 and 0.38 respectively (50% and 47% reductions).
- In 2010, our workforce surpassed 3 million hours without a lost time injury.
- In first quarter, we began underground mining and hosted our underground mine opening ceremony.
- In May, our workforce was awarded a prestigious national John T. Ryan safety trophy.
- Hay River added as a pickup point for workers on 4&3 rosters.
- Community update/recruitment meetings held in Kugluktuk, N'dilo, Gameti, Wekweeti, Wha Ti, Behchoko, Lutsel K'e, as well as four Beaufort Delta communities.
- Organized and participated in environment-related workshops for communities.
- Plan developed to add 86 new apprentices over the next decade.
- Diavik Diamond Mines Inc., and participating minesite contractors, donated \$60,850 to the successful Stanton digital mammography machine fundraising campaign.
- Diavik played a key role in the new security system for Yellowknife's Alison McAteer House.
- Other community participation included sponsoring the Diavik 150 Canadian Championship Dog Derby, attending the Tlicho Gathering in Gameti, participation in Aven Cottages territorial dementia facility grand opening, Chamber of Mines miner's picnic, Angler Young Angler catch and release fishing tournament, law enforcement Herc Pull, Run for Our Lives, and Yellowknife Christmas parade.
- Diavik's mine rescue team, comprised of members of the Diavik mine site emergency response team, participated in the annual mine rescue competition winning two events.
- Northern employment averaged 561, or 297 above initial predictions of 264.
- Aboriginal employment averaged 269, or 109 above initial predictions of 160.
- Operations employment averaged 907 workers. Northern and Aboriginal employment, averaged 561 (62%) and 269 (30%) respectively.
- At year-end, 13 trades apprentices were working at Diavik, 12 are northern and seven are Aboriginal.
- In 2010, six Diavik apprentices completed apprenticeship training achieving journey person designation. Since 2003, 24 people have successfully completed their apprenticeships at Diavik.
- Northern business spending of \$260.0 million (71%).
- Cumulative spending since 2000 reached \$4.8 billion, of which \$3.5 billion (73%) was with northern firms. At year-end, cumulative spending with Aboriginal business reached \$1.9 billion.
- Mine accommodations contract awarded to Bouwa Whee, a 100% owned Yellowknives Dene First Nation company.
- In March, Diavik completed a successful ice road program shipping 1,344 loads (39,778 tonnes) to the mine site. In total, all users transported 3,506 loads (121,000 tonnes) northbound.
- For the year, rough diamond production was 6.5 million carats.

Operations highlights

2010 employment by priority group

- Workforce averaged 907 workers
- Northern employment averaged 561 (62%)
- Aboriginal employment averaged 269 (30%)

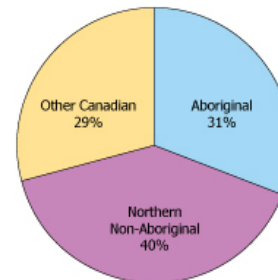
Operations employment 2010



2010 business spending

- \$365.2 million total spending
- \$260.0 million (71%) on northern business
- \$112.5 million (31%) on northern Aboriginal business
- \$147.4 million (40%) on northern non-Aboriginal business

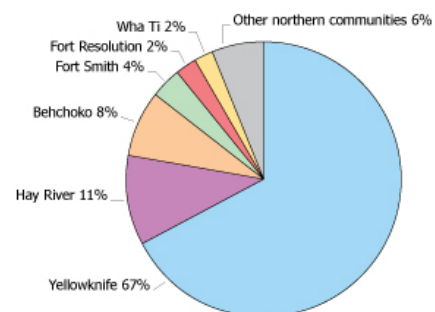
Spending 2010



2010 employment by northern community

- 376 workers resided in Yellowknife
- 59 workers resided in Hay River
- 43 workers resided in Behchoko
- 21 workers resided in Fort Smith
- 13 workers lived in Fort Resolution
- 12 workers lived in Wha Ti
- 34 lived in various other northern communities

Employment by northern community 2010



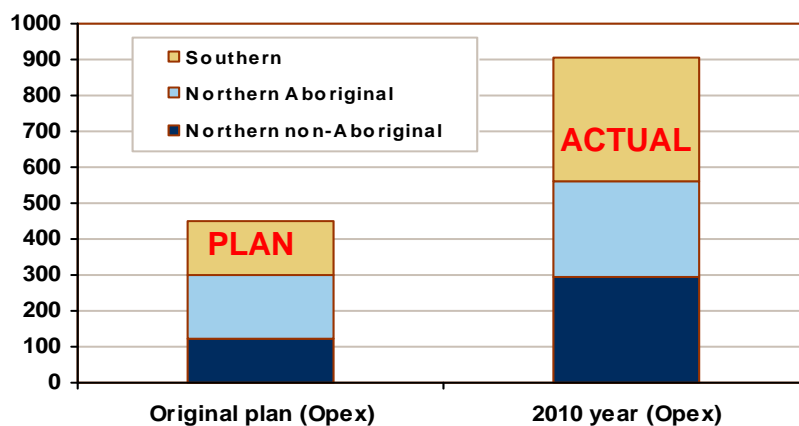
Employment exceeds plan

During the mine’s original approval process, Diavik committed to hire as a priority, northern residents and Aboriginal people born in the Northwest Territories or West Kitikmeot region of Nunavut, and their descendants. Diavik projected that the workforce would be approximately 400 people. From socio-economic studies of the northern workforce, Diavik expected 264 would be northern and 180 Aboriginal. For 2010, Diavik’s operations workforce averaged 907 people. Northern employment averaged 561. Aboriginal employment averaged 269.

During 2010, northern employment averaged 297 above original plan.

During 2010, Aboriginal employment averaged 109 above original plan.

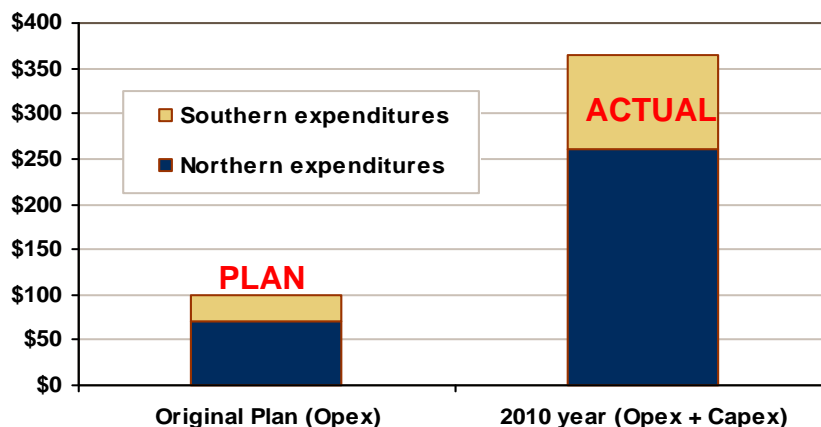
Diavik Operations Employment: Plan vs Actual



Business spending exceeds plan

During the mine’s original approval process, Diavik committed to spend approximately \$100 million annually to support mining operations. During 2010, a period in which underground mine construction continued, Diavik spent \$365.2 million for combined operating and new capital expenses. Of this total, \$260.0 million, or 71 per cent, was on northern companies.

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



Section A: northern employment data

Northern employment for operations

Diavik's operations employment 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 2010.

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

	Jan - Mar	Apr - Jun	Jul - Sep (Number)	Oct - Dec	2010
Total	863	881	914	972	907
Aboriginal	272	261	266	276	269
Non-Aboriginal	280	289	297	303	292
Subtotal northern	552	550	563	579	561
Other	310	331	351	393	346
	(Per cent of total)				
Total	100%	100%	100%	100%	100%
Aboriginal	32%	30%	29%	28%	30%
Non-Aboriginal	32%	33%	33%	31%	32%
Subtotal northern	64%	62%	62%	60%	62%
Other	36%	38%	38%	40%	38%

Hiring for the underground operation commenced in early 2010. As expected access to skilled underground labour in the North has proven problematic and due to this shortage, southern labour has been recruited. This has resulted in a decline in our northern and Aboriginal employment percentages, currently 62 per cent and 30 per cent respectively. However, total employment in these priority groups is significantly higher than was originally projected during feasibility studies completed in the 1990s.

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

In recognition of this challenge and due to our commitment to our SEMA target, we have initiated a new northern workforce recruitment and development strategy.

Our strategy includes more apprenticeships, new recruitment campaigns in northern communities, and working with the Government of the Northwest Territories on the training landscape in the North, and reviewing the feasibility of new northern community pickup points.

In 2010, we committed to add 86 new apprenticeships through 2020. 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.

Currently, we have produced 24 qualified journeypersons.

In 2010, members of our human resources and communities and external relations departments completed community update/recruitment meetings in Kugluktuk, N'dilo, Gameti, Wekweeti, Wha Ti, Behchoko, Lutsel K'e, as well as four Beaufort Delta communities (Inuvik, Aklavik, Tuktoyaktuk, and Fort McPherson). Additionally, Diavik organized and participated in workshops for community representatives on environment related matters.

In 2010, we added Hay River as a pickup point for our minesite workers on a four and three roster.

After a one year pilot project, we chose to reinstate Edmonton as a worker pickup point. This decision was difficult but required because the lack of northerners with the skills our business now requires, including underground mining and related trades and technical skills, combined with southerners equipped with those skills declining our employment offers, was affecting our ability to operate.

Operating employment by community

Table 2 provides Diavik Diamond Mine operations workforce by residence for 2010. On average there were 907 Diavik workers during the period of which 558 (62 per cent) lived in Northwest Territories or West Kitikmeot communities.

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

	Jan- Mar	Apr- Jun	Jul- Sept	Oct - Dec	2010	2010 (Percent)
Total	863	881	914	972	907	100%
Behchoko	41	42	44	46	43	5%
Deline	2	2	1	1	2	0%
Dettah	1	1	2	3	2	0%
Enterprise	1	1	2	2	2	0%
Fort Good Hope	1	1	1	2	1	0%
Fort Providence	3	3	4	5	4	0%
Fort Resolution	13	13	12	12	13	1%
Fort Simpson	6	6	3	5	5	1%
Fort Smith	24	23	18	18	21	2%
Gameti	4	5	5	5	5	1%
Hay River	59	58	60	59	59	6%
Inuvik	2	1	2	2	2	0%
Lutsel K'e	2	2	3	3	3	0%
N'dilo	2	2	1	2	2	0%
Norman Wells	1	1	0	0	1	0%
Wekweeti	2	2	2	3	2	0%
Wha Ti	12	11	13	13	12	1%
Yellowknife	367	366	381	389	376	41%
Kugluktuk	7	7	7	7	7	1%
Subtotal northern	550	547	560	576	558	62%
Alberta	157	159	163	167	162	18%
Other Canada	156	176	191	228	188	21%
Subtotal southern	313	334	354	395	349	38%

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-Jun	Jul-Sept	Oct-Dec	2010
Total	30	18	41	55	144
			(Number)		
Northern Aboriginal	6	3	13	9	31
Northerner (+6 mos)	9	2	11	8	30
Northerner (-6 mos)	1	2	1	1	5
Subtotal northern	18	8	25	18	68
Other Canadian	12	11	16	37	76
			(Per cent)		
Total	100%	100%	100%	100%	100%
Northern Aboriginal	17%	18%	31%	21%	21%
Northerner (+6 mos)	29%	12%	22%	20%	21%
Northerner (-6 mos)	11%	11%	2%	3%	3%
Subtotal northern	58%	42%	54%	44%	47%
Other Canadian	42%	58%	46%	56%	53%

Employment by job category and priority group for operations

Table 4 provides the Diavik Diamond Mine operations workforce by job category and priority group in 2010, during which Diavik's total operations workforce averaged 907 people. The total was comprised of 16 management, 107 professional, 355 skilled, 302 semi-skilled, and 126 entry level workers.

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

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

		Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	2010
Grand Total		863	881	914	972	907
Management	Total	20	15	15	16	16
	Aboriginal	0	0	0	0	0
	Non-Aboriginal	20	15	15	16	16
	Northern	20	15	15	16	16(100%)
	Other	0	0	0	0	0
Professional	Total	102	109	108	110	107
	Aboriginal	6	6	6	7	6
	Non-Aboriginal	54	56	53	54	54
	Northern	60	62	59	61	61(57%)
	Other	42	47	49	49	47
Skilled	Total	303	328	367	422	355
	Aboriginal	41	39	40	48	42
	Non-Aboriginal	78	90	95	95	90
	Northern	119	129	135	144	132(37%)
	Other	184	199	232	278	224
Semi-skilled	Total	306	297	304	302	302
	Aboriginal	160	151	158	158	157
	Non-Aboriginal	89	88	89	92	89
	Northern	249	239	247	250	246(81%)
	Other	57	58	57	53	56
Entry level	Total	131	132	120	122	126
	Aboriginal	65	65	61	63	64
	Non-Aboriginal	38	39	45	45	42
	Northern	104	104	106	108	105(83%)
	Other	27	28	14	14	21

Employment by contractor and priority group for operations

Table 5 provides employment by company and priority group for 2010. DDMI employed 523 people, with 305 people (58%) northern. I&D employed 132 people, with 115 people (87%) northern. Tli Cho Logistics employed 104 people, with 61 people (59%) northern. Ekati/Bouwa Whee Catering employed 92 people, with 73 people (80%) northern. Denesoline Western Explosives (DWE) employed four people, with two people (50%) northern. Other contractors employed 52 people, with four people (9%) northern.

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

	Jan - Mar	Apr - Jun	Jul - Sept	Oct - Dec	2010
DDMI Total	488 100%	500 100%	537 100%	568 100%	523 100%
Aboriginal	104 21%	100 20%	108 20%	117 21%	107 21%
Non-Aboriginal	192 39%	195 39%	199 37%	206 36%	198 38%
Subtotal northern	296 61%	295 59%	307 57%	323 57%	305 58%
Other	192 39%	205 41%	230 43%	245 43%	218 42%
I & D Total	137 100%	135 100%	132 100%	125 100%	132 100%
Aboriginal	90 66%	85 63%	85 64%	82 65%	85 64%
Non-Aboriginal	28 21%	32 24%	30 23%	28 22%	30 22%
Subtotal northern	118 86%	117 87%	115 87%	110 88%	115 87%
Other	19 14%	18 13%	17 13%	16 12%	17 13%
Tli Cho Total	105 100%	103 100%	101 100%	108 100%	104 100%
Aboriginal	37 35%	35 34%	35 35%	38 36%	36 35%
Non-Aboriginal	25 23%	26 25%	24 24%	25 23%	25 24%
Subtotal Northern	62 59%	61 59%	59 59%	63 59%	61 59%
Other	43 41%	42 41%	42 41%	44 41%	43 41%
*Ekati/Bouwa Whee Total	95 100%	96 100%	88 100%	87 100%	92 100%
Aboriginal	39 41%	40 41%	36 41%	36 41%	38 41%
Non-Aboriginal	31 33%	32 33%	39 44%	38 44%	35 38%
Subtotal northern	70 74%	71 74%	75 85%	74 85%	73 80%
Other	25 26%	25 26%	13 15%	13 15%	19 20%
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%
Subtotal northern	2 50%	2 50%	2 50%	2 50%	2 50%
Other	2 50%	2 50%	2 50%	2 50%	2 50%
Other Total	33 100%	44 100%	52 100%	80 100%	52 100%
Aboriginal	1 3%	1 2%	1 2%	2 2%	1 2%
Non-Aboriginal	3 8%	3 7%	3 6%	3 5%	3 6%
Subtotal northern	4 12%	4 9%	4 8%	5 7%	4 9%
Other	30 88%	40 91%	48 92%	75 93%	48 91%
Total	863 100%	881 100%	914 100%	972 100%	907 100%
Aboriginal	272 32%	261 30%	266 29%	276 28%	269 30%
Non-Aboriginal	280 32%	289 33%	297 32%	301 31%	292 32%
Subtotal northern	552 64%	550 62%	562 62%	577 60%	561 62%
Other	310 36%	331 38%	352 38%	394 40%	347 38%

*July 2010, mine accommodations and catering services provided by Bouwa Whee Catering

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 purchase⁴ at least 70 per cent of the goods and services annually from northern companies. Actual expenditures since then have been significantly higher.

Northern outsourcing

To assist in raising northern business capacity, Diavik has outsourced nearly half its operations workforce to contractors. Virtually all are northern businesses and the majority are Aboriginal. The remainder are employed by Diavik Diamond Mines Inc. Diavik believes through outsourcing contracts, northern firms can become better positioned to service other resource-based projects and will outgrow reliance on Diavik. This approach also has the potential to create additional new career opportunities for northerners and assists Diavik in meeting commitments. In addition to outsourced operations contractors, Diavik also utilizes the services of many other northern and Aboriginal firms. For a more comprehensive list of companies supporting Diavik, see Table 7 (page 17).

Northern business participation initiatives

Diavik recognizes its significant role in creating new and long-term business opportunities that can increase northern business community capacity. As a result, Diavik has entered into operations labour contracts with Aboriginal and northern businesses that supply approximately half of Diavik's workforce. The remainder is employed directly by Diavik Diamond Mines Inc. Through such outsourcing contracts, northern firms are better positioned to grow their business into other areas (not just mining) and reduce their reliance on Diavik. In terms of employment opportunities, this approach has the potential to create additional new career opportunities for northerners.

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

In July, minesite accommodations services transitioned to Bouwa Whee, a 100 per cent owned Yellowknives Dene First Nation company. Previously, this contract was with this First Nation's joint venture company, Ekati Services.

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.

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.

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

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

Diavik's business improvement model continues to focus on achieving excellence in the total business equation – core business deliverables and cost, and in the areas of Aboriginal participation, environmental and socio-economic performance, and best practices. Drawing a balance between these important elements continues to create the foundation for achieving a sustainable mine contributing to sustainable communities. Examples of northern business participation activities undertaken in 2010 include:

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

Through its ongoing 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 2010. Table 7 presents a sample of northern and northern Aboriginal businesses supporting Diavik.

In 2010, Diavik's combined operations and capital expenditures were \$365.2 million. The value of spending on northern businesses was \$260.0 million (71 per cent). Spending on Aboriginal businesses was \$112.5 million (31 per cent). Spending on northern non-Aboriginal business was \$147.4 million (40 per cent). Other businesses accounted for the remaining \$105.2 million (29 per cent).

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

Total	365.2
Aboriginal	112.5
Non-Aboriginal	147.4
Subtotal northern	260.0
Other	105.2
Per cent of Total	100%
Aboriginal	31%
Non-Aboriginal	40%
Subtotal northern	71%
Other	29%

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

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

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

Northern Aboriginal Businesses

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

Section C: capital and operating summaries

Construction of the Diavik Diamond Mine started in 2000 and commercial diamond production commenced in January 2003. Table 8 summarizes employment results achieved by Diavik and its contractors from 2000 through 2010.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010
	(Average number of employees)											
Total Employment	297	1,031	1,114	611	719	1,085	1,068	1,286	1,436	1,011	907	10,565
Aboriginal	78	245	214	221	259	290	272	299	298	279	269	2,724
Non-Aboriginal	87	182	268	223	258	296	292	311	307	273	292	2,789
Subtotal northern	165	427	482	444	517	586	564	609	606	552	561	5,513
Other	132	604	632	167	202	499	504	693	831	459	346	5,069
Total Operating	0	0	0	611	719	727	735	773	808	810	907	6,090
Aboriginal	0	0	0	221	259	256	245	260	273	269	269	2,052
Non-Aboriginal	0	0	0	223	258	257	253	268	267	259	292	2,077
Subtotal northern	0	0	0	444	517	513	497	527	540	528	561	4,127
Other	0	0	0	167	202	214	238	262	268	282	346	1,979
Total Capital*	297	1,031	1,114	0	0	358	333	513	628	201	0	4,475
Aboriginal	78	245	214	0	0	33	27	39	26	10	0	672
Non-Aboriginal	87	182	268	0	0	40	40	43	40	14	0	714
Subtotal northern	165	427	482	0	0	73	67	82	66	24	0	1,386
Other	132	604	632	0	0	285	266	431	563	177	0	3,090
	(Per cent)											
Total Employment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	26%	24%	19%	36%	36%	27%	25%	24%	22%	28%	31%	26%
Non-Aboriginal	29%	18%	24%	36%	36%	27%	27%	26%	23%	27%	33%	26%
Subtotal northern	56%	41%	43%	73%	72%	54%	53%	50%	45%	55%	62%	52%
Other	44%	59%	57%	27%	28%	46%	47%	50%	55%	45%	38%	48%
Total Operating	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Aboriginal	0%	0%	0%	36%	36%	35%	33%	32%	34%	33%	31%	34%
Non-Aboriginal	0%	0%	0%	36%	36%	35%	35%	35%	33%	32%	33%	34%
Subtotal northern	0%	0%	0%	73%	72%	71%	68%	66%	67%	65%	62%	68%
Other	0%	0%	0%	27%	28%	29%	32%	34%	33%	35%	38%	32%
Total Capital	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%	0%	100%
Aboriginal	26%	24%	19%	0%	0%	9%	8%	7%	4%	5%	0%	15%
Non-Aboriginal	29%	18%	24%	0%	0%	11%	12%	9%	6%	7%	0%	16%
Subtotal northern	56%	41%	43%	0%	0%	20%	20%	16%	10%	12%	0%	31%
Other	44%	59%	57%	0%	0%	80%	80%	84%	90%	88%	0%	69%

*2003 and 2004 capital employment with Total, 2010 capital and operations combined as part of underground mine transition

Capital employment

For the initial construction phase of the project (2000-2002), included in Table 8 (page 18), Diavik undertook⁵ that at least 40 per cent of total employment, including contractors, would be northerners. During initial construction, employment averaged 814 workers annually of whom 44 per cent (358) were northern and half, or 22 per cent (179), were Aboriginal.

A second round of construction began in 2005 to construct the A418 dike, raise the processed kimberlite containment dam height, and to construct the underground mine. Construction of underground mine and related surface works, continued in 2010 with initial mining and processing of ore from our new underground mine commencing in February 2010.

Capital and operations business spending

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

For the second phase of construction commencing in 2005, operations and construction contracts were combined. As a result, expenditures reported from 2003 to date combine capital and operations expenditures. When 2000 through 2010 spending is combined, Diavik has spent a total of \$4.8 billion, of which \$3.5 billion (73 per cent) is on northern business. Of the \$3.5 billion, \$1.9 billion is on 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		
	(\$ millions)										
Total	1,184	244	231	410	487	727	725	432	365	4,805	
Northern Aboriginal	604	66	71	197	224	276	254	145	113	1,950	
Other northern	270	120	84	112	155	245	256	143	147	1,532	
Total northern	874	186	155	309	379	521	510	288	260	3,482	
Other Canadian	310	58	76	101	108	206	215	144	105	1,323	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Northern Aboriginal	51%	27%	31%	48%	46%	38%	35%	34%	31%	41%	
Other northern	23%	49%	36%	27%	32%	34%	35%	33%	40%	32%	
Total northern	74%	76%	67%	75%	78%	72%	70%	67%	71%	73%	
Other Canadian	26%	24%	33%	25%	22%	28%	30%	33%	29%	27%	

⁵ 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.

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 including fall arrest, confined space, job hazard analysis, and 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 and radiation training
- Delta-V process control
- Continuous business improvement processes such as 6 Sigma™

Workplace learning centre services

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

Aboriginal development program

Diavik employs several northern Aboriginal people in supervisory positions. To help increase the number of qualified Aboriginal people at the supervisory and management level, in 2004 Diavik developed an Aboriginal development program in partnership with SAIT Polytechnic. The program includes DDMI and contractor employees. As well as covering the customized curriculum which is based on Rio Tinto leadership competencies, participants are matched with a DDMI supervisor for mentoring. Since 2005, 55 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.

Skilled trades

Diavik has committed to train between eight and 18 apprentices annually. As of 31 December 2010, there were seven Diavik Diamond Mines Inc. apprentices working towards certifications. In addition, DDMI contractor Bouwa Whee Catering employed three apprentices as cooks and DDMI contractor Tli Cho Logistics employed three apprentices in the roles of electrician and heavy equipment technician. One DDMI individual was working towards a dual apprenticeship. Of the total of 13 Diavik Diamond Mine apprentices, 12 are northern and of the 12 northerners, seven are Aboriginal.

In 2010, we committed to add 86 new apprenticeships through 2020. During 2010, the first of these new apprentices were hired which included nine northerners the majority of whom are Aboriginal.

In 2010, six apprentices working at the Diavik Diamond Mine achieved journeyman certification. Since 2003, a total of 24 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 Services Canada department, the federal government launched the Aboriginal Skills and Employment Partnership (ASEP) program in 2004.

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

Underground miner training program

In 2010, Diavik 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 that familiarizes trainees with underground safe work practices, mining methods, and procedures. It includes practice time on an underground equipment simulator and hands-on training on underground equipment, such as haul truck, scooptram, and utility vehicle. Part III is 12 weeks of on-the-job training. Diavik provided work experience placements for six underground miner trainees in this program). All six trainees have received permanent employment offers.

Mineral processing operator training program

In 2010, Diavik provided work experience placements for three mineral processing operator trainees. These three individuals were selected from the graduates of the Aurora College training program. All three trainees are now permanent employees at Diavik.

Section E: cultural and community well-being

Community-based trades training

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

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

Of the 16 courses completed, 12 were based in northern communities, three focused on heavy equipment and process plant operations, and one focused on construction of the main accommodations modules.

Community wellness and community legacy

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

Since operations began in 2003, we have also identified community wellness projects in which we could participate and partner. These community wellness projects include the SideDoor youth centre, the Shorty Brown Arena, the Bailey House men's transition centre, the Aven Cottages territorial dementia facility, Stanton mammography machine, and the Alison McAteer House security system. For these initiatives, Diavik provided project management expertise and other in-kind and financial assistance. These projects, which in some cases Diavik also assisted by generating substantial savings, also included a training component and were targeted to be facilities that can benefit many of the smaller communities throughout the North.

Other community and legacy programs and initiatives

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

- Since 2001, the Diavik scholarship program has awarded approximately \$1.7 million through approximately 1,200 individual scholarships to residents of the Northwest Territories and Nunavut's West Kitikmeot region. In 2010, we awarded scholarships worth a total of \$187,500. Scholarships are awarded by a Diavik Diamond Mines Inc. scholarship committee and through the Participation Agreement implementation committees or community representatives. The scholarship program includes high school, post-secondary, and employee family scholarships.
- Community relations programs that ensure Communities and External Relations department representatives attend special events like assemblies, elders' funerals, and significant community and cultural events.

- During 2010, Diavik staff completed annual community update meetings with the North Slave Metis Alliance in March, Wha Ti, Wekweeti and Gameti in October, Behchoko and Kugluktuk in November and N'dilo for the Yellowknives Dene First Nation in December.
- Additionally, in conjunction with the Environmental Monitoring Advisory Board (EMAB), DDMI visited the Lutsel K'e Dene First Nation in February to provide a community update. In Lutsel K'e, Diavik also conducted an information session on phosphorous, at the request of the community, and met with the Wildlife, Land and Environment Committee to discuss Traditional Knowledge monitoring proposals and programs.
- In other community relations work, Diavik held meetings with the Yellowknives Dene First Nation Chief and Council, and Elders Committee to discuss options for mining A21 kimberlite and the land use permit application for the mine's exploration activities. Diavik also participated in EMAB's workshop to discuss requirements of the Environmental Agreement. As well, Rio Tinto staff met with leadership of the Aboriginal groups during the Diavik Diamond Mines Inc. site-managed assessment, conducted under the Rio Tinto community relations standards, and a representative from CCAB for DDMI's recertification under the Progressive Aboriginal Relations program.
- Mine tours for Aboriginal leaders, Elders and Participation Agreement committee members. A particular focus this year was a coordinated effort between all three diamond mines to obtain input from communities on the existing wildlife programs at the mines, and how best to incorporate Traditional Knowledge in to the various monitoring programs at the mine site.
- Collaborated with Yellowknives Dene First Nation and Diavik Communities Advisory Board to conduct studies and surveys with our employees to assist in development of indicators for reporting on social impact issues.
- Diavik's donations and sponsorship committee, consisting of six employees (three from minesite operations and three from Yellowknife operations) meets six times per year to review all donation and sponsorship requests. The donations policy includes a two-tier review process. For large funding requests, the committee reviews and provides input to members of the company's senior executive. Diavik also reviews requests for polished diamonds where the organization can demonstrate that the donation will leverage additional funding. In 2010, Diavik distributed \$121,000 in donations and sponsorships. Since inception, Diavik has distributed over \$800,000 in donations and sponsorships.
- Diavik Diamond Mines Inc completed a new security system for Alison McAteer House by providing security staff expertise to redesign the system, evaluating installation bids by local service provider companies, providing total funding of \$15,000, and supervising installation of the system. Alison McAteer House, Yellowknife's only family violence shelter, provides a safe and anonymous place for women and children fleeing violence. Alison McAteer House has assisted 300 women and children over the past year. The 12-bed house is staffed 24 hours a day. Our \$15,000 donation was part of the \$59,107 raised through the YWCA's Freedom Cycle initiative. The Freedom Cycle team, including two Diavik staff, cycled from Yellowknife to Edmonton to raise funds and awareness.
- In October, Diavik Diamond Mines Inc. and participating contractors presented the CIBC Run for Our Lives Committee and the Stanton Territorial Hospital Foundation with a donation of \$60,850 which ensures they have achieved their goal of raising funds needed to purchase a digital mammography machine for the Stanton Territorial Hospital. Participating contractors included Arcan Construction, Bouwa Whee Catering, Denesoline Western Explosives, G&G Expediting, Gisborne Construction, Golder Associates, Kitikmeot Cementation, Lac De Gras Constructors, Lockerbie & Hole, Praetorian, Ryfan Electric, Tli Cho Logistics, and Wabi Development Corporation.

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