



Rio Tinto

Our Journey with Local Economic Engagement

*Realizing the “Art of the Possible”
Through Active Partnerships*

Presentation to the Mining, Oil & Gas

Procurement Forum

Perth, Australia

March 30, 2010

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Director, Community Agreements & Enterprise

Rio Tinto

Presentation outline

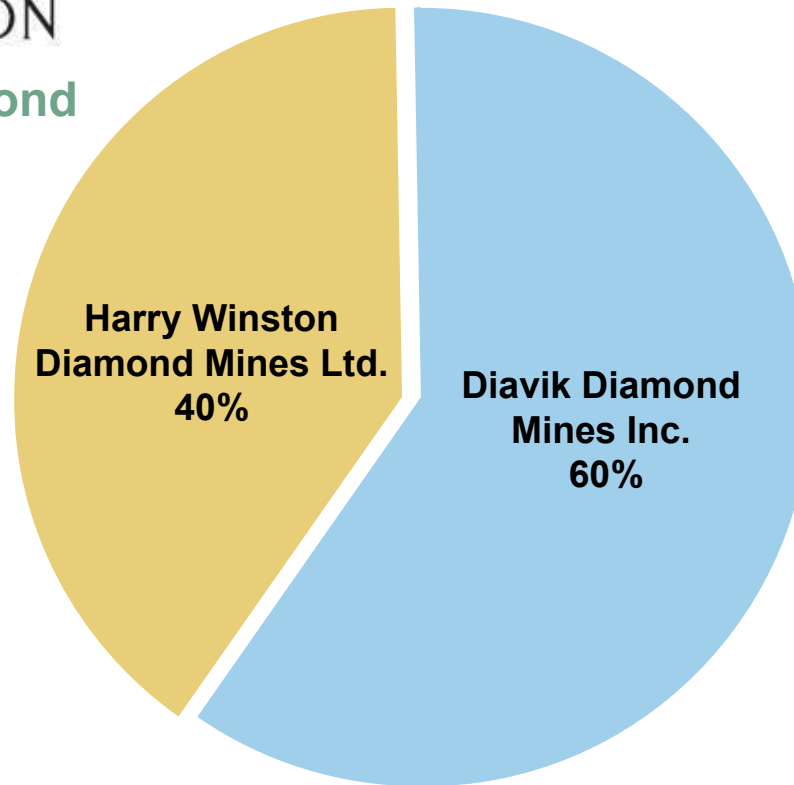
- The Diavik Mine & Context
- The Business Case for Our Work in Local Business Development
- Diavik's Business Participation Policy and Process
- Our Results
- Some End Thoughts

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Diavik Mine – a joint venture

HARRY WINSTON

Harry Winston Diamond Corporation



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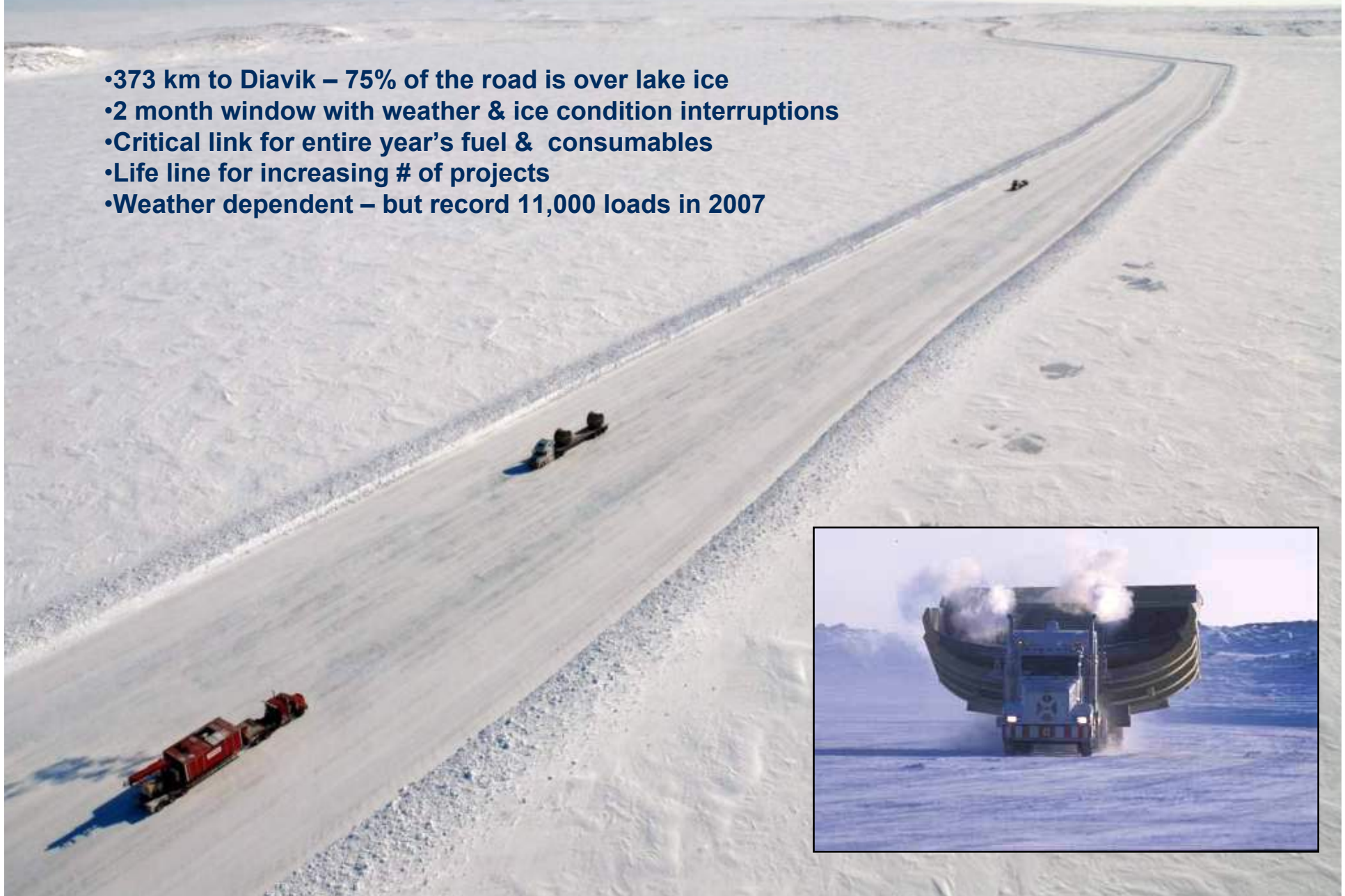
Rio Tinto plc
(Manager)

Diavik's Challenges

- **Remote – 300 kilometres from Yellowknife**
- **Sub-Arctic conditions – permafrost, climate**
- **No power**
- **No all-weather roads**
- **Ore bodies under water**
- **Island location, surrounded by distilled water**
- **Caribou, fish of special concern**
- **Communities with low education, poor history with mining, little industrial experience, but high expectations**
- **Major investment required – Diavik C\$1.3 billion**

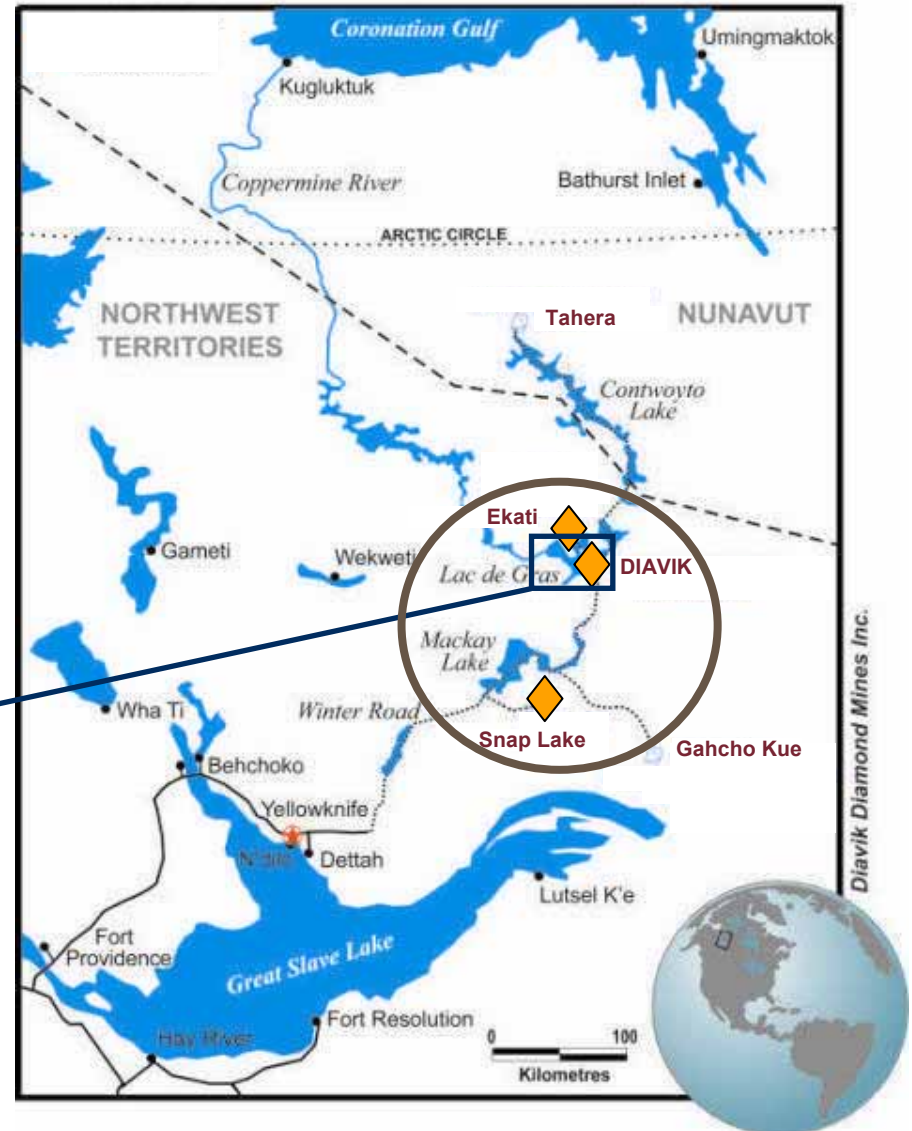
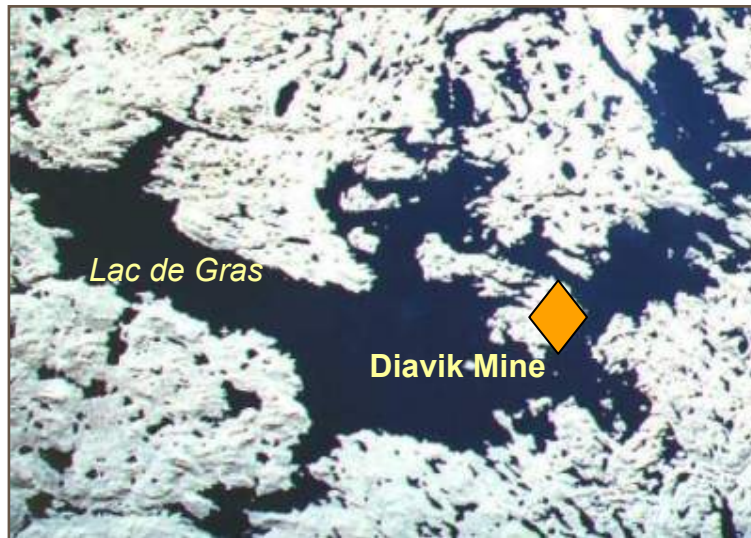
Logistics – The Seasonal Winter Road

- 373 km to Diavik – 75% of the road is over lake ice
- 2 month window with weather & ice condition interruptions
- Critical link for entire year's fuel & consumables
- Life line for increasing # of projects
- Weather dependent – but record 11,000 loads in 2007

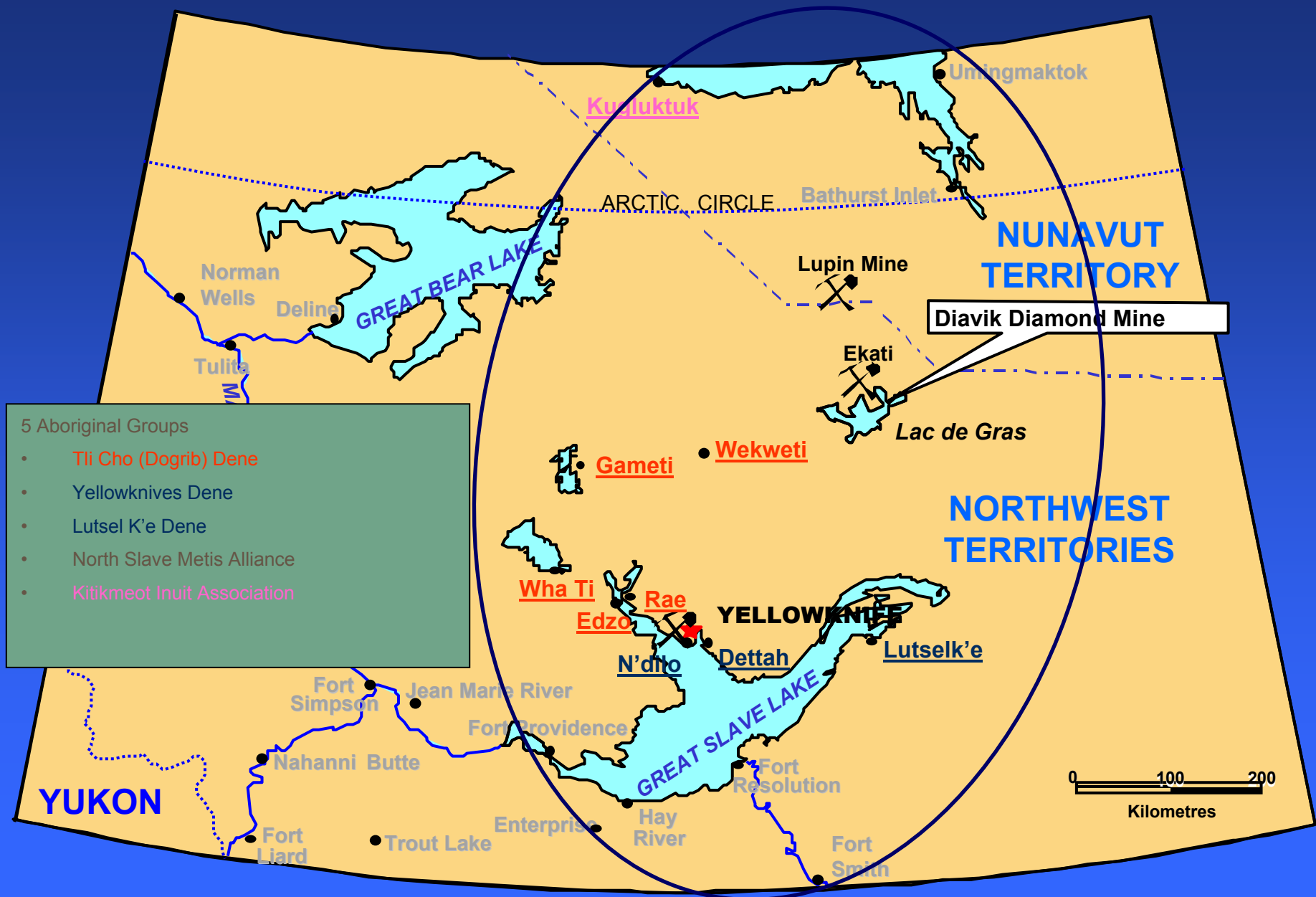


Diavik location – But We Are Not Alone!

- The diamond “neighbourhood”
- NWT is the centre of Canadian diamond production
- Diavik is 300 km NE of YK
- On large lake, Lac de Gras
- *Three Diamond Mines with Common Interest*



Land Connected Communities



The Business Case for Community Economic Engagement – Development of Local Business Capacities

- Project was faced with a highly politicized environment
 - Aboriginal Land Claims (Tlicho) well advanced, but still under negotiation
 - Increasing devolution of land and resource management to aboriginal authorities
 - Aboriginal Authorities moving towards creation of public Governments
- Canada's Environmental Legislation – Complex and Uncertain
- High Expectations of Federal, Territorial and Aboriginal Governments
- Along with a Legacy of Poor Industry Performance in terms of Employment, Training, Business Participation and Environmental Stewardship
- But in-situ resource value of approximately **\$10 billion U.S.**
- So, it was important to do things differently and ***“make a difference”***

Diavik Needed to Do Something Differently to Bring a New Asset into Rio's Portfolio



- A philosophical Shift Was Required and this was the biggest challenge
 - Diavik Could Not Work Alone
 - Community & Government Partnerships were Vital
 - But, we had top leaders who had the courage and foresight to connect business need with community need – this was Key
- Actively Sought Partnerships with Governments and Communities
- Agreed with Communities on Opportunities & How to Secure Them



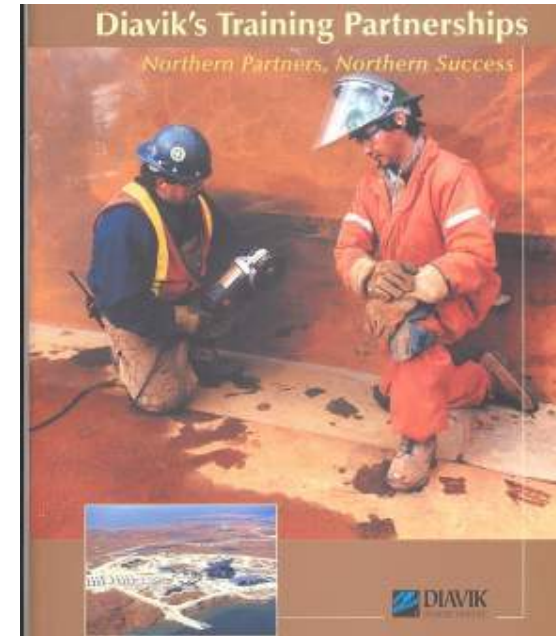
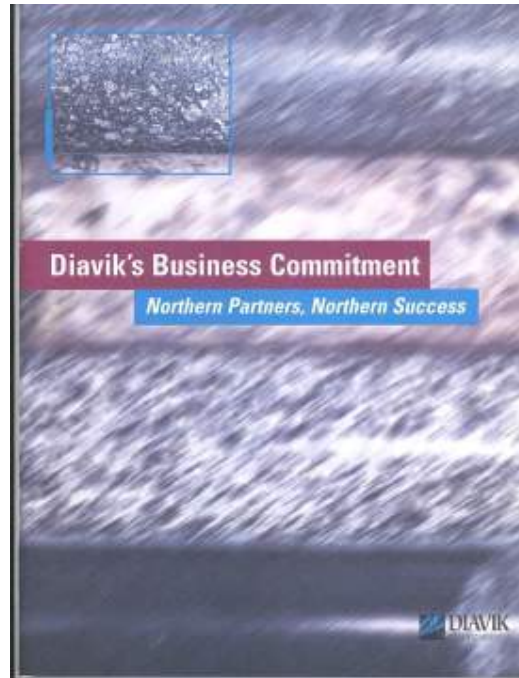
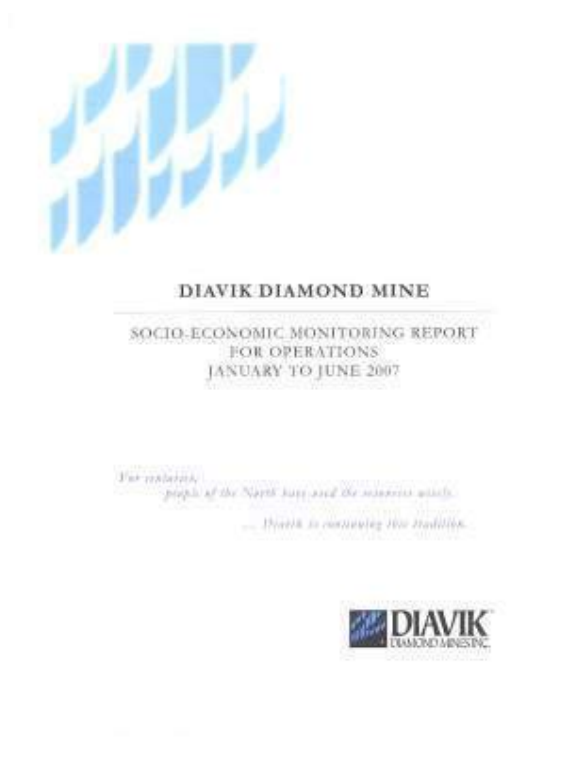
Formalized community commitments: no fear to put things on paper!

- Rigorous Socioeconomic Assessment Determined Communities of Interest
 - through evaluation of historical use and occupancy of project site and zone of influence
- “A Hand Shake Wouldn’t Do” – Partnership Instruments Were Required
 - Started with Cooperation Agreements
 - Socio-Economic Monitoring Agreement
 - Includes training, employment, business, cultural and community well-being
 - Environmental Agreement
 - Includes monitoring, reclamation security
 - 5 Participation Agreements
 - Include training, employment & business
 - Financial support – scholarships
 - Community Transparency through Management Boards
 - 9 aboriginal communities directly involved



Then We Communicated Our Commitments!

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Towards Sustainable Tlicho Business Capacity

Our Vision

*Pursuant to the Tlicho – Diavik Diamond Mines Inc. Participation Agreement we are committed:
To creating a legacy of lasting Tlicho human and business capacity through the operation of the
Diavik Diamond Mine and enabling Diavik Diamond Mines Inc. to be the Developer of Choice for the
Tlicho Nation*

Our Mission

*To develop and implement business plans which maximize the opportunities for Tlicho business to
become a quality and competitive supplier/service provider to Diavik Diamond Mines Inc. and others,
particularly in the areas of Site Services, Trucking, Fuel Supply, Explosives and Air Charter Support*

Our Guiding Principles

The foundation of our business partnership is:

- Mutual Respect
- Active Partnership
- Long Term Commitment

Our Mutual Commitments

- Employ and retain Tlicho residents in all facets of the Diavik Operation and supporting Tlicho Businesses
- Develop Tlicho capacity through mutually beneficial employment and training initiatives
- Identify and develop sustainable Tlicho business capacities that would create a long term foundation for economic growth in the region, while meeting the safety, environmental and business needs of Diavik Diamond Mines Inc.
- Cooperate in business improvement processes and share in the accountability for continued operational success
- Continually evaluate and report on respective processes, opportunities, issues, and solutions
- Maintain open lines of communication and foster a positive and mutually supportive business relationship for the life-of-mine
- Measure the results achieved against the vision, goals and objectives set forth in the Participation Agreement for Tlicho business development

Mark Anderson

President & Chief Operating Officer
Diavik Diamond Mines Inc.

George Mackenzie

Grand Chief
Tlicho Nation



January, 2006



What We Committed To -

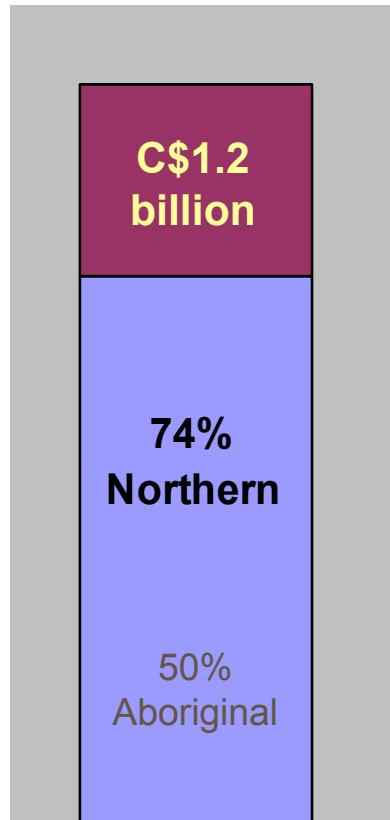
Socio-Economic Highlights

- Construction
 - Employ at least 40% Northerners
 - **Spend at least 38% in north**
 - Create new levels of community transparency
- Operations
 - Employ at least 66% Northerners
 - Employ at least 40% Aboriginal Northerners
 - **Spend at least 70% with aboriginal/northern** companies
 - With specific scopes of Work in Aboriginal Participation Agreements
 - This was new ground in Canada
 - Maintain from 8-18 apprentices annually
 - Maintain high levels of community transparency

We Used a Policy Instrument to Address Local Business Capacity Development Internally & Externally



Construction Phase was the Testing Ground for Our Policy & Foundation for Long Term Business Capacity Development



Construction Contracts

- SEMA Commitment: Spend at least 38% locally (Previous Slides) during early days of mine construction
- Actual expenditures much higher



So How Did We Build Local & Aboriginal Business Capacity?

- Drive it from the top
 - Leadership Was Fully On-board
 - Created a Senior Level Accountability and Process Owner in the Organization
 - Targets were measurable and reportable
- Start Early by Developing and Communicating a Clear Policy Statement to the public and Government
- By deliberately identifying Opportunities and Help drive Local and Aboriginal Participation
 - Northern & Aboriginal Business Participation Policy
 - Desire to “Make a Difference”
 - Formalize expectations in contract scopes and execution plans
 - Joint Mining Company – Aboriginal Business Plans for contractors
 - Continuous Business Improvement (Measure & Control)
- Engage and Retain Community and Public Government Support
 - Critical to Foster and Maintain Support from Other Agencies to ensure Shared Responsibilities and Shared Rewards
 - Also, Significant Political Costs to Government if Partnerships/Support Systems Fail
- Good Results Were Largely Contingent on Strong Support and Partnerships with Canada (DIAND & HRDC) and to a lesser degree, the Government of the Northwest Territories
- Diavik – through Policy created Opportunities, but Government was key in Financing and realizing them!

What Was the Process?

- Commitment to evaluation of Project Technical Feasibility Study within the context of Diavik's Northern Business Participation Policy
- Identify opportunities for existing businesses
 - Adjust contracts to northern capabilities
 - Directly Negotiated Contracts Where strategically appropriate
- Identify opportunities for new businesses
 - Facilitate joint-venture partnerships
 - Develop strategic alliances with economic development agencies to help capitalize aboriginal business
 - DIAND Gov't of Canada Funding Partnerships for Bus'n Investment
 - Feasibility Studies and Due Diligence
 - Management Assistance
 - Equity Injections for Financing Mix for Start-ups or Acquisitions
 - Top up Funding to Improve Debt/Equity Ratios
 - Funding for On-going Business Aftercare
 - Business Leadership Development
 - “Weld” business opportunities into Participation Agreements
 - Provided security for business investment
 - Allowed direct negotiation with aboriginal businesses
 - Shares rewards & collective accountability
- Outsource significant part of work
- Make contractors accountable to meet Rio Tinto's Standards – Measure and Report

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Involving the Business Community was Key to Our Achievements



Diavik Diamo



*For centuries,
people of the north have
used the resources wisely
...Diavik is continuing this tradition.*

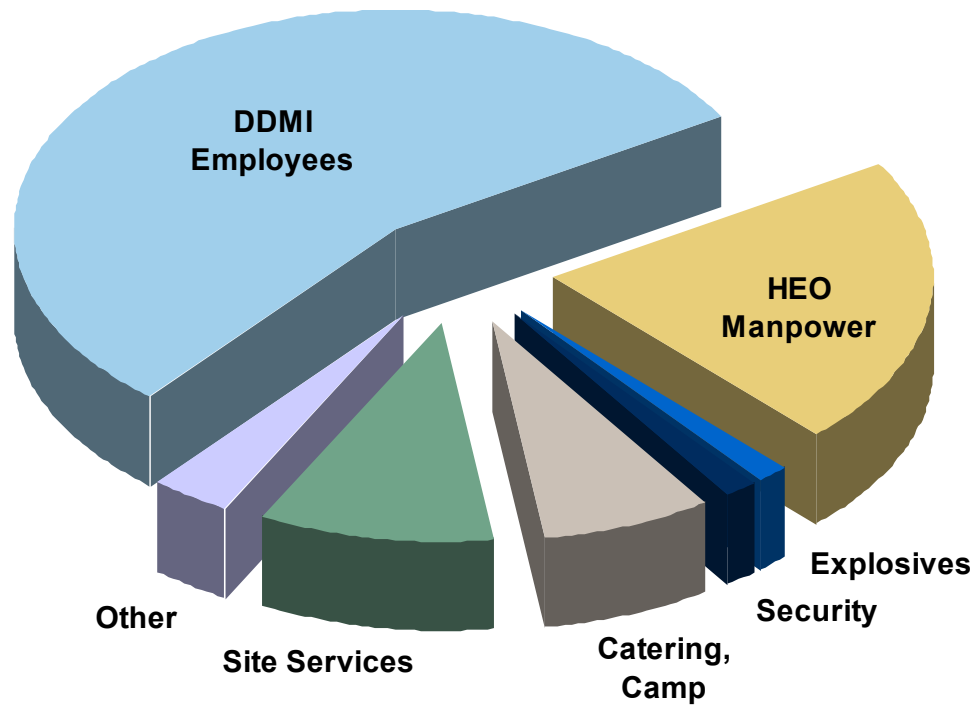
DAVIK DIAMONDS PROJECT
NORTHERN
OPPORTUNITIES PROFILES



Let's Look at Where We Are Now – Diavik's Northern Business Landscape



Building business capacity



- Almost half the operations workforce is contracted
- Majority with Aboriginal firms
- ***Contractors share responsibility to meet Diavik commitments***



Outsource contractors – Aboriginal

- Site Services – Tli Cho Logistics
 - Tli Cho First Nation
- Mining Operations – I&D Mgm't Services
 - 3 Dene / 1 Inuit Partners
- Catering / Accommodations – Ekati Services
 - Yellowknives Dene First Nation
- Ice Road Construction & Operations - Inuit
- Explosives – Western Denesoline Explosives
 - Lutsel K'e Dene First Nation
- Underground Mine Development – (Inuit) KCMD



Other supporting northern Aboriginal businesses

- Tli Cho Landtran Transport
- Tli Cho Air / Air Tindi
- Canadian North Airlines
- Metcrete Ltd.
- Northern Metallic Sales
- Nishi Khon SNC Lavalin
- Nuna Logistics
- A&A Technical Services



Many, many other Northern businesses

Acklands-Grainger Inc.

ADCO North Limited

Aon Reed Stenhouse Inc.

Arctic Sunwest Charters

Atlas Copco

Aurora Geosciences Ltd.

Coneco Equipment Ltd.

Danmax Communication Ltd.

EBA Engineering Consultants

**Ltd.
ECL Transportation Ltd.**

Eecol Electric

First Air

Finning (Canada) Ltd

Frontier Mining & Industrial

G&G Expediting

Golder Associates Ltd.

Great Slave Helicopters Ltd.

Imperial Oil Limited

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 Comm. & Navigation

Northwest Transport Ltd.

NWT Rock Services

Northern Metallic Sales

Northwestern Air Lease Ltd.

Ollerhead & Associates Ltd.

RTL Robinson Enterprises Ltd.

Sandvik Mining

Territorial Crane Service Ltd.

Tundra Transfer

Wajax Industries Ltd.

Contractor Business Plans to Drive Performance

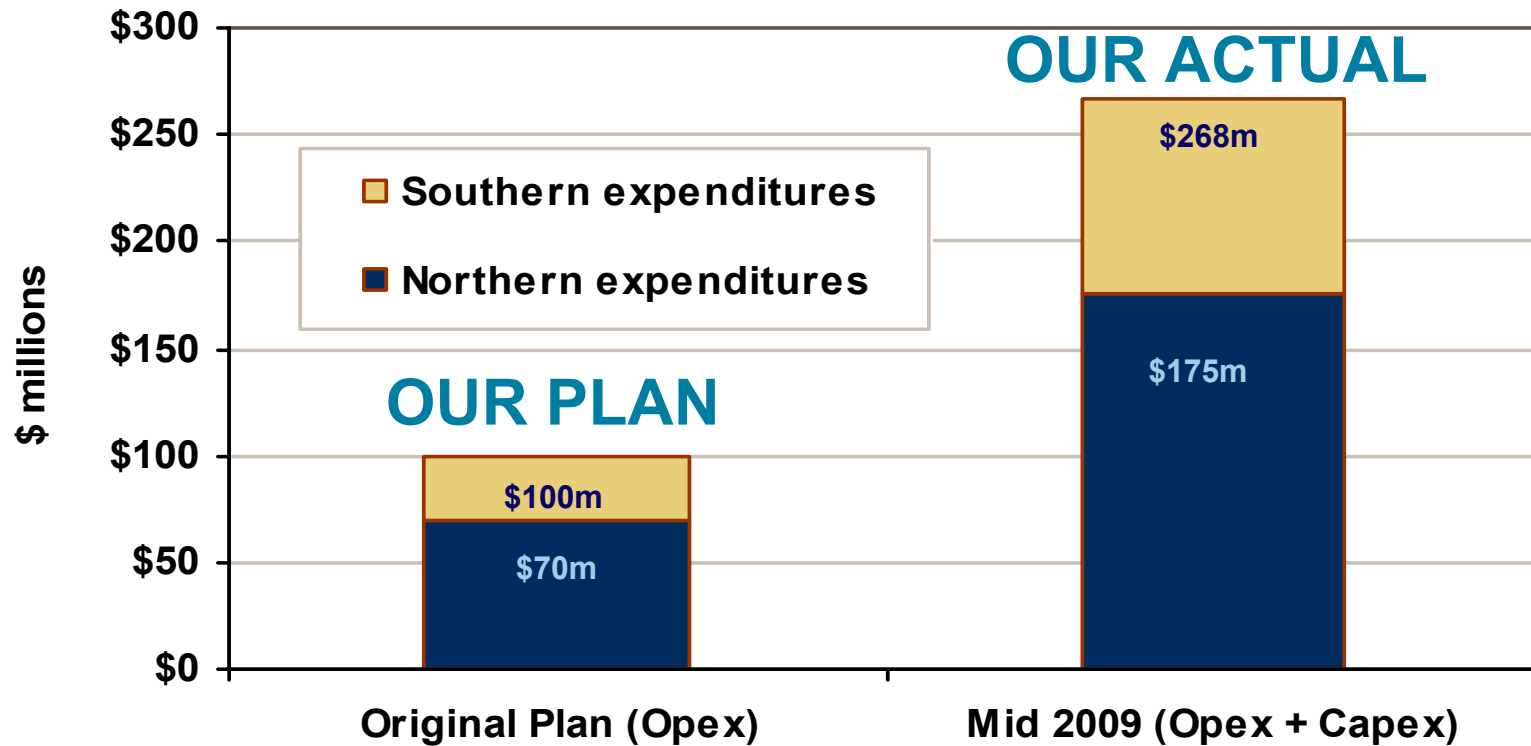
- Plans to include core and non-core deliverables/ KPI's and demonstrate ability to report monthly
 - Core Deliverables Driven by Contract Scope
 - Non-core Deliverables from Agreements and related Diavik Standards in:
 - Northern Business Participation
 - Training
 - Employment and Recruitment
 - Health, Safety and Environment
 - On-going Business Improvement Innovation
- Quarterly Contractor Review Process and Annual Plan Updates
- Database Tracking System for Contractor Performance Report Cards
- Contractor Sustainability Diagnostic and Business Development Toolkit

Some Metrics for Further Perspective



Northern spend

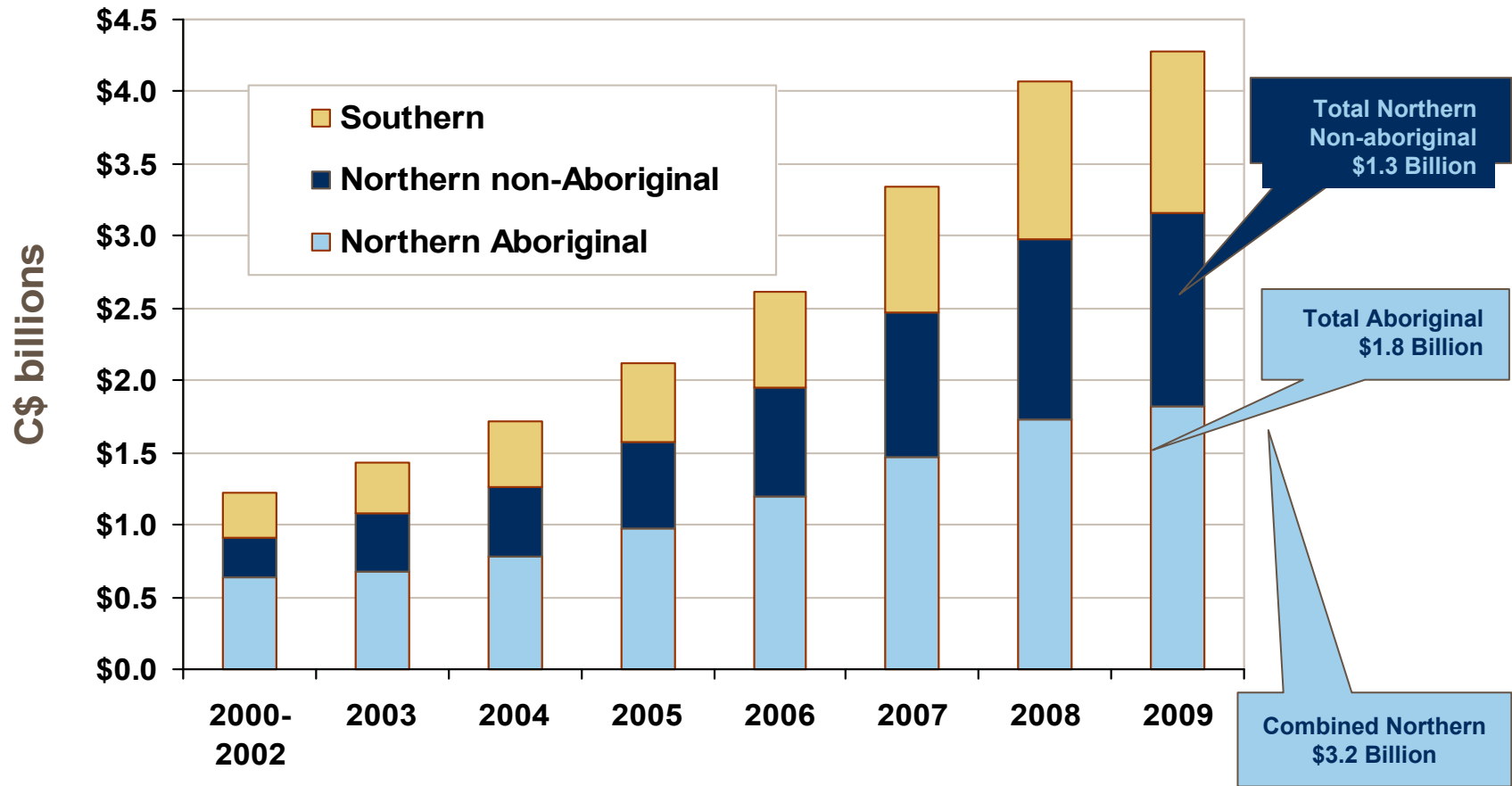
Diavik Annual Expenditure: Plan vs Actual



Source: Diavik Diamond Mines Inc.

Significant northern business benefits

Diavik Cumulative Expenditures by Priority Group



Source: Diavik Diamond Mines Inc.

Did We Do This Alone? Government of Canada was a True Partner!

- Our Partnerships with NWT DIAND Ec. Dev't Dept. was/is valued and We Have Concrete Results
- DIAND Ottawa support was also vital
- Mutual Understanding of Role Mining Can Play in Economic Development
- Cultivated a “Can Do” Approach
- DIAND (Gov't of Canada) Economic Development Program is Well Regarded by Diavik/Rio Tinto and is seen as a true Partner
- Government of Canada realized early on that though company policy, mining can be a powerful force of economic change – and even more powerful with a strong industry-government partnership in realizing the benefits of our industry

Some End Thoughts...

- *To make strides in local business capacity, it takes an “intentional and sometimes interventionist approach” – guided by leadership and a strong organizational accountability and structure*
- *Corporate Policy is an essential tool to shape internal and external business behaviour to achieve desired results*
- *Company commitments must be welded into place so they cannot be easily be dismantled by future generations*
- *Need a willing and interested community with a strong desire to participate in our industry’s activities – this may not always be there, and will require dedication and hard work to fully engage*
- *Early on, seek out Community, Government and Industry Partnerships. They are vital ingredients to a successful outcome!*