

# Operating Highlights

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📍 The open pit at Victor Mine

2009 marked the company's first complete calendar year as a fully integrated exploration and mining operation. Both the Snap Lake and Victor Mines continued operations successfully, albeit at a reduced throughput due to the economic downturn. Snap Lake produced 444,000 carats, and Victor produced 696,000 carats. Despite difficult economic conditions,

both mines achieved close to their revised production targets. Employment levels met the revised targeted recruitment milestones to build highly skilled permanent workforces.

There are no small-scale manual diamond diggings or small-scale mining within either the Snap Lake or Victor areas of operations.

### Snap Lake Mine, Northwest Territories



Brad Corrigan  
Mine General Manager, De Beers Canada  
Snap Lake Mine

Snap Lake is an underground mine developed on a shallowly inclined kimberlite dyke. This dyke is about two metres thick and dips at average of 12 - 15 degrees from the horizontal. Access underground is via a portal and an incline. Ore is mined at a number of places underground, is crushed and then brought to the surface for processing by a conveyor. More information on the mine can be found on the De Beers Canada website at [www.debeerscanada.com](http://www.debeerscanada.com).

Production began on January 16, 2008, but was cut back during the first half of 2009 as a result of the global recession. A total of 440,000 carats was recovered from the commissioning and production in 2009.

An increased focus on safety awareness and related employee training, saw the Snap Lake team achieved 810,000 people hours with zero lost time injuries. This can only be achieved when everyone truly believes that safety is their primary core value.

Looking forward, the Snap Lake Mine will continue to ramp up production throughout 2010 with additional investments such as a new accommodation complex. Recruitment of 175 additional employees commenced in January 2010.



### Victor Mine, Ontario



Rory Greysteneyn  
Mining Manager and Acting  
Mine General Manager, De Beers Canada  
Victor Mine

The Victor Mine, which was named "Mine of the Year" by Mining Magazine in 2009, is an open pit excavated into kimberlite. The kimberlite deposit can be described as two carrot-shaped bodies surrounded by limestone. Both the limestone and the kimberlite are covered by a series of sediments deposited by the glaciers, and then capped by muskeg, which forms a wet peat land.

The overburden is removed and stockpiled for later use during rehabilitation at the end of operations; the overlying glacial sediments are removed and stored in waste piles, and the kimberlite is broken by drilling and blasting, and is then transported to the processing plant where the diamonds are extracted.

Commercial production began on August 1, 2008, and a total of 696,000 carats was recovered during 2009.

As part of the company's strategic business plan to control costs and improve efficiencies, the Victor Mine took a six-week production holiday in the summer of 2009. During that time a number of successful projects were completed including maintenance work and the completion of valuable stripping in the pit to position the mine for the 2010 production targets.

While our number one goal in 2010 is the continued safety of our employees and contractors, our exploration team will continue their work in identifying additional resources at Victor to extend the life of the mine.



## Gahcho Kué Project, Northwest Territories



📍 The Gahcho Kué Project advanced exploration camp.

The Gahcho Kué Project is a joint venture between De Beers Canada (51 per cent) and Mountain Province Diamonds Inc. (49 per cent). Details on Mountain Province Diamonds Inc. can be found at [www.mountainprovince.com](http://www.mountainprovince.com).

In May, 2009, Mountain Province Diamonds published a technical report for the project which updated mineral resource estimate for the property, and subsequently, the Gahcho Kué Project began a feasibility study in August of 2009.

Work on the Environmental Impact Statement was paused in late 2008, but is continuing in 2010 in parallel to the feasibility study. The project description will be finalized as part of the project's feasibility study completion.

A total of 416,423 man hours of work have been completed for the Gahcho Kué Project without a lost time injury or reportable environmental incident.

The exploration camp was on care and maintenance in 2009, as planned, due to completion of the resource evaluation programme in 2008. Environmental monitoring continued as required by the Water Licence.

De Beers Canada Inc. started the permitting process required to construct the Gahcho Kué diamond mine in 2005. In October 2007 the Mackenzie Valley Impact Review board, released the terms of reference for an Environmental Impact Statement (EIS) and in December 2008,

the joint venture partners decided to defer the submission of the document pending an examination of various options for the execution of the project.

Applications to renew the existing land use permit and water licence for the exploration camp were made to the Mackenzie Valley Land and Water Board in 2008, and these were issued in April. These are valid for five years.

📍 Workers prepare the ice surface for the 2008 drill program at the Gahcho Kué Project.



### Exploration



Drilling rigs in use at the Victor Resource Extension Project in northern Ontario.

The Exploration division of De Beers Canada has a combined environmental, health and safety management system. The environmental part is certified to ISO 14001, while the health and safety section conforms to OHSAS 18801, and will be registered during 2010. The scope of this combined management system includes processes associated with diamond exploration including office activities, sediment sampling, drilling, geophysics, and sediment and bulk sample processing.

The management system underwent three external surveillance audits in 2009 for our field operations within the Victor Resource Extension project, the Sudbury Sample Treatment Plant and the Toronto Exploration Office. There were no major findings associated with these audits.

There was one non-compliance issue relating to taking water in excess of a permitted daily volume for winter road construction.

Exploration work was focused around the Victor Mine to systematically explore the other previously identified, diamond-bearing kimberlites and determine their potential as additional resources because the life of the Victor pipe is very short (anticipated closure in 2017). Work was undertaken on the X-ray and Delta-1 kimberlites. Small diameter core drilling, ground geophysics and trenching of those parts of the kimberlites close to the surface were completed. Material collected for macro-diamond evaluation was treated at the sample plant at the Victor Mine, and the diamonds recovered are currently being evaluated. A low-level high-resolution airborne magnetic survey was flown over the area of interest and several new anomalies were identified.

### Contractors, Suppliers and Procurement

De Beers Canada starts its activities with exploration and there is no upstream impact as this is the start of the diamond supply chain. Downstream impacts relate to the marketing of the rough diamonds produced from its mines, and the impacts of its exploration and mining activities.

#### Contractors

Each De Beers Canada vendor signs a contract outlining the requirements to comply with the law and the policies of De Beers Canada. This includes vendors making themselves aware of the United Nations Universal Declaration of Human Rights, International Labour Organization Conventions and several conventions relating to child and forced labour.

#### Procurement

At Snap Lake, a total of \$155,716,600 was spent on operations' contracts during 2009; \$116,134,800 (74.5 per cent) of these goods and services were supplied by "northern businesses", and \$59,229,900 (51 per cent) of this total has been provided by Aboriginal suppliers.

At Victor, during 2009 a total of \$121,994,400 was spent on goods and services; \$39,293,600 (32 per cent) of this total for the goods and services was supplied by Aboriginal businesses.

All suppliers of goods and services are expected to comply with the basic conditions of the Best Practice Principles (BPP). This program provides assurance that the participants are acting and operating in a responsible manner, and are adhering to good practices with regards to ethics, business conduct, legal requirements, human rights, safety, health and environment and general security.

Individual businesses that provide a significant percentage (>10 per cent) of the goods and services are required to provide a written statement that they are adhering to Best Practice Principles.

At Snap Lake, this applied to only one vendor – Ek'Ati Services Ltd. with sales to De Beers of \$16,975,080. At Victor too, only one vendor supplied goods and services totalling more than 10 per cent of the total spend. This was Imperial Oil with sales totalling \$21,393,545. However, in Exploration, there were four such vendors: Foraco Canada Ltd. With sales to De Beers Canada of \$612,278; Helicopter Transport with sales of \$607,875; Aeroquest Limited \$505,750, and De Beers Group Services for administration and laboratory services with sales of \$452,548. At the Corporate offices, there were two 10 per cent-plus vendors: De Beers Group Services at \$2,685,138, and Marsh Canada Ltd. with \$2,359,280.

The BPP program helps to provide assurance to customers of the Diamond Trading Company that the diamonds they are marketing have been produced in an ethically, environmentally and socially responsible manner. De Beers Canada provides very limited services to related companies and these services have to be provided within the framework and expectations of the Best Practice Principles assurance program.

There were two non-core expenditures in 2009. The first was a completion of a new training facility in Attawapiskat that was started in 2008. This is a physical extension to the Vezina Secondary School. The contribution totalled \$1 million spread over 2008 and 2009 and was directed towards the physical building, furniture and a training simulator for heavy equipment operators. The second was assistance with the setting up and commissioning of 17 accommodation units that were deemed surplus from the Victor construction program. These were donated to the community of Attawapiskat in the spring, and converted to temporary emergency housing for 98 people in the late autumn following a sewage backup in the community that forced these individuals to evacuate their homes.

## Product Responsibility



Diamond is a non-toxic inert substance, with no known hazards associated with its use or storage. No policies or procedures are in place to provide guidance on preserving customer health or safety as these are considered unnecessary. There are thus no monitoring programs, nor product information or labelling.

De Beers Canada has a single customer, which is a related company, that purchases all of its production from each mine. Up to 10 per cent of the production, by value, from each mine is then made available for sale to government-approved sightholders in the NWT (Snap Lake Mine) and Ontario (Victor Mine). A similar agreement is also in place with the Government of the Northwest Territories and will become effective once the Gahcho Kué Project begins production.

It is the practice not to disclose any information about customers without their prior consent, unless instructed to do so by a court of law.

No instances occurred of non-compliance with regulations concerning customer health and safety, and no penalties or fines were levied for any such breaches.

No complaints were upheld by any of the regulatory or similar bodies that oversee health and safety of product and services.

Among the awards given to De Beers Canada was an Environmental and Social Responsibility Award by the Prospectors and Developers Association of Canada.

There have been no instances of non-compliance with regulations concerning product information and all diamonds produced have been exported in accordance with the Kimberley Certification Process, the World Diamond Council system of warranties and in compliance with applicable legislation.

De Beers Canada does not have policies regarding anti-competitive behaviour and is not in a position to exert undue influence in any commercial setting in this regard because it has a single customer, which is a related company, for its product.

De Beers Canada managers who manage relationships with other producers and cutting and polishing factories received training from De Beers UK regarding compliance with the competition laws

There were no breaches of advertising or marketing regulations during 2009. Any advertising is aligned with the De Beers Family of Companies guidelines.

There have been no complaints regarding breaches of consumer privacy.

### Status of certification

All the current exploration programs and the mining operations are registered to the ISO 14001:2004 Environmental Standard. The exploration programs are also compliant with the OHSAS 18001 Occupational Health and Safety standard through an integrated SHE (Safety, Health and Environment) Management system. Both Snap Lake and Victor Mines are working to be compliant with OHSAS 18001 by the end of 2010, and both mines are currently working in accordance with the requirements of OHSAS 18001.