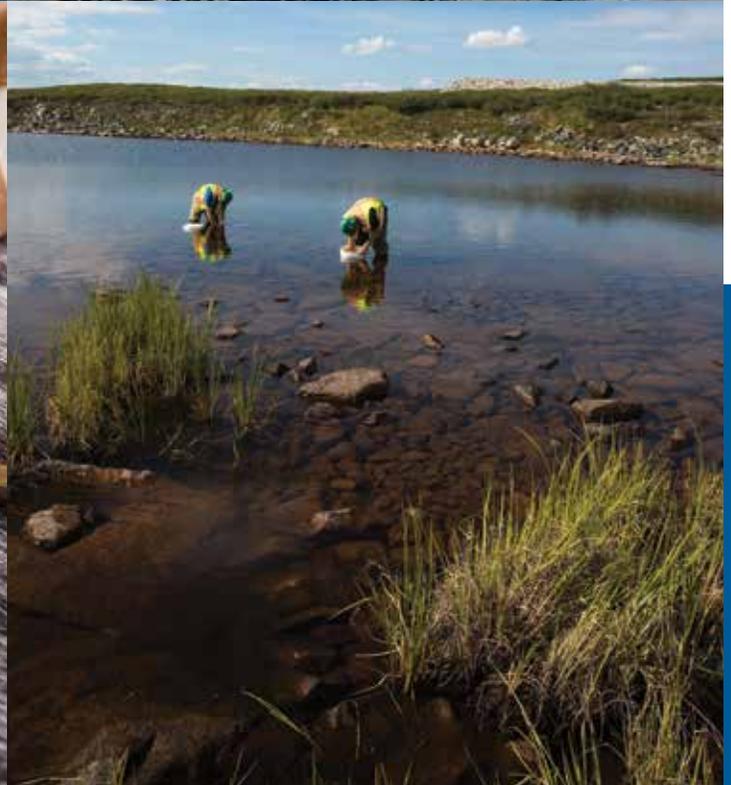


# GROWTH, RENEWAL AND VALUE

Fiscal 2017 Annual and  
2016 CSR Report



Financial results presented in this report are from the company's 2017 fiscal year, which ran from February 1, 2016 to January 31, 2017. Unless otherwise noted, all figures are presented in US dollars. Most of the community, people, and environmental performance details are from the 2016 calendar year, so that they align with our other public reporting requirements.

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# BUSINESS

## CREATING LONG-TERM VALUE

With the support of our [strong balance sheet](#), Dominion is positioned to continue delivering value in the near term and longer term by advancing key development opportunities, refocusing on near-mine exploration, optimizing our operations, and maximizing the value of our product.



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# COMMUNITY

BUILDING ON OUR LEGACY

Our dedication to responsible and sustainable mining improves lives and strengthens [communities](#).

We are determined to build on our legacy by promoting the safety, development, and well-being of our employees, and upholding our commitments to the land, environment, and local people.

## ABOUT THIS REPORT

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This year, for the first time, we are combining our annual report and our corporate social responsibility (CSR) report. We plan to make this our model going forward. We believe combining the reports presents a truly representative account of the Company's activities.

We published our Management's Discussion and Analysis and consolidated financial statements for the year ended January 31, 2017, on April 12, 2017. Copies are posted on our website. The [Business and Financial Review](#) section of this report covers the content normally included in our annual report.

Financial results presented in this report are from the company's 2017 fiscal year, which ran from February 1, 2016 to January 31, 2017. All figures are presented in US dollars except where otherwise noted.

Unless otherwise noted, most of the community, people, and environmental performance details are from the 2016 calendar year, so that they align with our other public reporting requirements.

The main focus of the CSR sections of the report ([CSR Approach](#), [Community and Economic Impacts](#), [Our People](#), [The Environment](#)) is the Ekati Diamond Mine, which the company operates and in which we have a controlling interest. Select information about the Diavik Diamond Mine, in which we have a 40% stake, is also included in the report. We encourage you to read the [Diavik Diamond Mine 2016 Sustainable Development Report](#) for additional details.

Dominion publishes a number of reports for the public, most notably related to the Socio-Economic Agreement (SEA) between the Ekati mine and the Government of the Northwest Territories, and the Ekati mine Environmental Agreement and Water Licence. These reports can be downloaded here or from the [Wek'èezhii Land and Water Board website](#).

- [Ekati Diamond Mine 2016 Socio-Economic Agreement Report](#)
- [Ekati Diamond Mine 2016 Environmental Agreement and Water Licence Annual Report](#)

We plan to evolve our sustainability reporting in future years to align with the Global Reporting Initiative (GRI) G4 Sustainability Guidelines. Please let us know what you think about this report:

## COMMUNICATIONS

E-mail: [communications@ddcorp.ca](mailto:communications@ddcorp.ca)

## INVESTOR RELATIONS

E-mail: [investor@ddcorp.ca](mailto:investor@ddcorp.ca)

## CONTACT DETAILS

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E-mail: [ddc@ddcorp.ca](mailto:ddc@ddcorp.ca)

# ABOUT DDC

Dominion Diamond Corporation (Dominion) is a Canadian mining company and one of the world's largest producers and suppliers of premium rough diamond assortments to the global market. We operate the Ekati Diamond Mine (Ekati mine), in which we have a controlling interest, and own 40% of the Diavik Diamond Mine (Diavik mine), both of which are located in the low political risk environment of the Northwest Territories in Canada.

We have world-class sorting and selling operations in Canada, Belgium, and India. Most of our rough diamond clients are based in the major diamond cutting and polishing centres of India. We also have customers in Israel, Belgium, and the United States.

## Our Mission

To share the natural beauty of responsibly mined Canadian diamonds with the world.

## Our Vision

Uniquely Canadian, Valued Globally

## Our Values

**We have the courage to care.** We care for the health, safety, and well-being of our employees and contractors, the environment, and the communities in which we operate.

**We are bold and entrepreneurial.** We challenge ourselves to create value for stakeholders, and are agile in responding to change.

**We are trusted.** We are fair and honest with our stakeholders, ensuring that our diamonds have a beautiful and ethical story to tell.

## Bob Gannicott



We were deeply saddened to announce that after his extended battle with leukemia, Robert Gannicott passed away on August 3, 2016, at the age of 69. Mr. Gannicott was a visionary and a pillar of the Canadian diamond industry. He built Dominion from the ground up, taking it from a junior mining company to Canada's largest independent diamond producer. He was an exceptional leader and will be missed by all who had the good fortune to work with him and to know him.

# EXECUTIVE MESSAGES

## Year in Review

### MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

**As we reflect on 2016, there are a number of events – both within and outside our control – that will make a significant mark on our company’s history.**

Sadly, it was the year we lost Bob Gannicott, who passed away after an extended battle with leukemia. Bob was the company’s legendary founder and the key architect of its success for many years. He is dearly missed by all who knew him.

The year will also be remembered for the fire that broke out on June 23 in the Ekati process plant and shut down processing for three months. Thanks to our well-trained Emergency Response Team members, all personnel were safely evacuated from the area and the fire was contained.

The fire weighed heavily on the year’s financial results and forced us to alter operating plans. It also delayed the much-anticipated ramp-up of high-value production from the Misery Main pipe, which had achieved commercial status in May.

Thanks to the hard work and dedication of the teams who completed the clean-up and repairs in the process plant, we were able to resume operations by the end of September, allowing us to execute our plan to recover some of the delayed cash flow generation in the fourth quarter of the year.

There was also some very good news during the year. In July, our Board of Directors approved the development of the Jay Project based on the positive results of the feasibility study and the revised project schedule and life-of-mine plan. This decision prompted us to prepare an updated technical report for the Ekati mine that incorporated the Jay and Sable growth projects into the mine plan, as well as the impact of the process plant fire on the processing schedule. Filed in September, the updated report extended the Ekati mine life to fiscal 2034. This was a major achievement for our company when you consider that, when we acquired the Ekati mine in 2013, it had a mine life that ended in fiscal 2019.

In September 2016, we sold a 186-carat gem quality diamond that had been recovered during processing of feed from the Pigeon kimberlite. The stone, which sold for \$2.8 million, was the largest gem quality diamond ever recovered at the Ekati mine and a reminder that there continues to be upside potential to the modelled prices used for our Ekati ore bodies.

Through the ups and downs of the year, our team showed incredible skill and resilience, completing several projects under budget and ahead of schedule, and maintaining high social, economic, and environmental standards. Safety performance at the Ekati mine was significantly improved over the past two years. We also met all our commitments to the local communities and continued to involve Aboriginal partners in mine planning, operating, and monitoring processes.

In January 2017, I indicated that I would be stepping down from my role as Chief Executive Officer. The decision to move the corporate offices of Dominion from Yellowknife to Calgary, announced in November, was necessary in order to reduce operating costs and support the long-term strength of the Company, and is one that I continue to support. For personal reasons, however, it is not the right move for my family.

It has been a pleasure working with Dominion's Board of Directors, senior management team, and employees across our organization. They are a remarkable group of people with a passion for building a company that creates sustainable value for the business and for our many stakeholders.

Sincerely,  
Brendan Bell

## **Corporate Update and Strategy**

### **MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS**

After an eventful 2016 that ended with great momentum across our business, the new year has continued at an equally dynamic pace. After Bob Gannicott's passing, we renewed our focus on executing our long-term value creation strategy. We recharged our Board of Directors, ensuring that it fully reflects the breadth of our business and is well positioned to oversee the execution of our strategy.

Our strategic focus remains squarely on optimizing our existing operations while advancing multiple near-term and longer-term development projects at the Ekati and Diavik mines. The Lynx, Sable, Jay, Misery Deep, and Fox Deep projects at the Ekati mine and the A-21 project at the Diavik mine all offer strong potential to enhance the company's production and cash flow profile.

We are also continuing to leverage our deep knowledge in diamond sales and marketing to maximize the value of our product. Our CanadaMark™ brand has been well received by retail consumers who are willing to pay extra for the promise of purity, responsibility, and authenticity that comes with diamonds carrying the mark. Several marketing initiatives are underway with our clients to capture the premium associated with Canadian production and to help protect and grow demand for our rough product.

In addition, we are now in a position to explore high-value opportunities within our extensive Lac de Gras region. With 150 known kimberlites on the Ekati property and the work underway to prioritize targets, our advanced exploration program has the potential to drive significant value growth in a region we know well. With the infrastructure already in place at the Ekati and Diavik mines, the cost of developing new projects near Lac de Gras is significantly lower than the cost of greenfield development.

With a strong balance sheet underpinning our efforts, we are well positioned to continue reinvesting in the business to renew the asset base and drive increases in the company's net asset value per share.

Following an unsolicited expression of interest by a third party in March 2017, our Board decided that it was in the best interests of the company and its shareholders to form a Special Committee to explore, review, and evaluate potential strategic alternatives focused on maximizing shareholder value. The Special Committee is working with management and advisors to consider alternatives that may include the sale of the company, a continuation of or change to the current strategic plan, or other strategic transactions. At the time of writing, the strategic review process is ongoing and no timetable has been set.

Meanwhile, we continue to advance our strategy and deliver on our production plans. The company has released fiscal 2018 guidance and a three-year outlook forecasting strong sales and Adjusted EBITDA, driven by the shift to a high-value ore blend at the Ekati mine and the expected recovery of the rough diamond market from the impact of demonetization in India by the middle of the year.

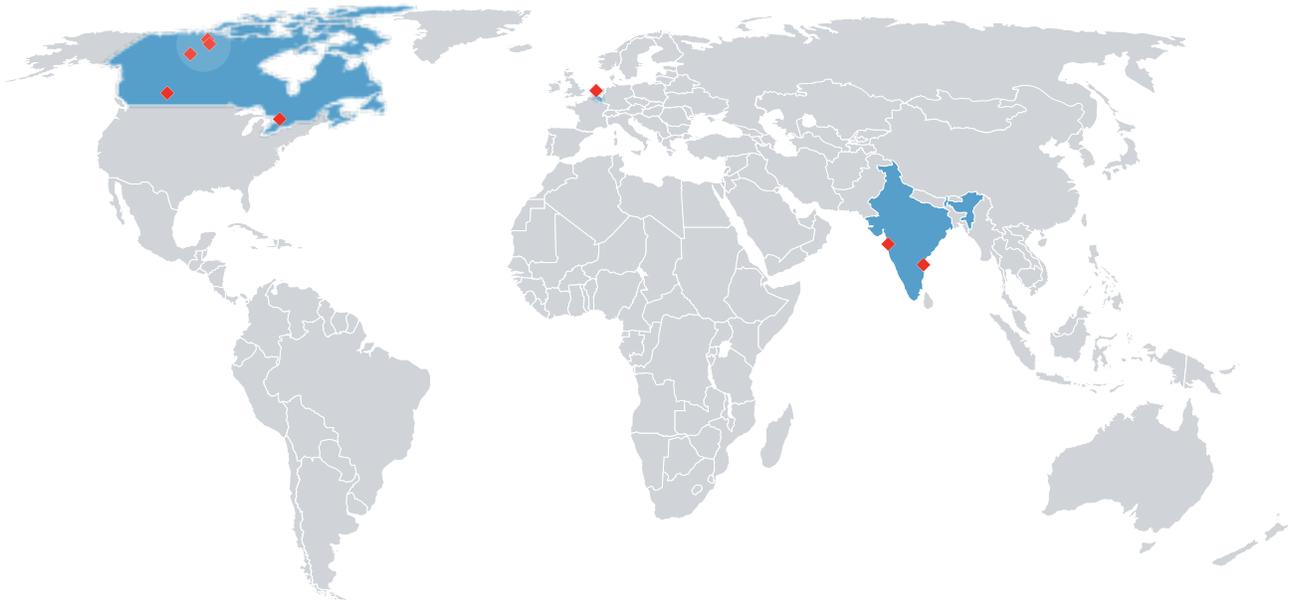
In March 2017, we filed an updated technical report for the Diavik mine, which demonstrated improved economics and supported an extension of the mine life from 2023 to 2025. In May, we announced the positive results of a pre-feasibility study on the development of an underground operation below the Misery open pit at the Ekati mine. Also at Ekati, we are ramping up to full production at the Fines Dense Media Separation (DMS) plant, which will increase the recovery of diamonds smaller than 1.2 millimetres.

I would also point out that we continue to return capital to shareholders while maintaining the ability to fund our growth. In fiscal 2017, we returned \$65.1 million through a combination of dividends and share repurchases.

In conclusion, I would like to thank our Board of Directors for their efforts on behalf of all shareholders and other stakeholders as we address the challenges before us. We are drawing heavily on their vast experience and counsel. I would also like to recognize our senior management team and employees and contractors for the way in which they responded to the events of last year and continue to show indomitable spirit.

Sincerely,  
Jim Gowans

# WHERE WE OPERATE



## CANADA

### Calgary, AB

Corporate office

### Yellowknife, NWT

Corporate office

### Toronto, ON

Sorting and valuation office

### Lac de Gras, NWT

Ekati Diamond Mine

### Lac de Gras, NWT

Diavik Diamond Mine

## BELGIUM

### Antwerp

Sales office

## INDIA

### Mumbai

Sales office and sorting facility

### Visag

Sorting facility

# CORPORATE GOVERNANCE

The interests of shareholders and the strategic direction of the company are overseen by a Board of Directors with extensive international experience in banking, finance, mining and minerals, as well as a thorough understanding of contemporary corporate governance requirements.

The Board fulfills its responsibility directly as well as through four working committees:

- [Audit Committee](#)
- [Nominating and Corporate Governance Committee](#)
- [Human Resources and Compensation Committee](#)
- [Health, Safety and Environmental \(HSE\) Committee](#)

Recognizing the benefits that variety brings to the company, we have a [Board Diversity Policy](#) and we strive to achieve diversity both on the Board and in senior management.

The Nominating and Corporate Governance Committee and the HSE Committee assist the Board in fulfilling its responsibilities related to social and environmental development.

Within the company, the CEO is responsible for:

- Ensuring the implementation of standards and systems to ensure compliance with all applicable regulations and safety standards
- Providing overall leadership to management in support of the company's commitment to social and environmental development and business sustainability
- Ensuring that employees, consultants, and contractors address, in a respectful and transparent fashion, issues and concerns of Aboriginal people
- Setting the ethical tone for the company and its management

## Board of Directors

James K. Gowans

Chairman of the Board. Director since January 2016. Member of the Audit, Health, Safety & Environmental, Human Resources & Compensation and Nominating & Corporate Governance committees.

Thomas A. Andruskevich

Director since July 2016. Member of the Audit, Human Resources & Compensation and Nominating & Corporate Governance committees.

Graham G. Clow

Director since February 2013. Member of the Health, Safety & Environmental and Human Resources & Compensation committees.

Trudy Curran

Director since August 2016. Member of the Audit and Health, Safety & Environmental committees.

Tim Dabson

Director since August 2016. Member of the Audit, Health, Safety & Environmental and Nominating & Corporate Governance committees.

David S. Smith

Director since February 2016. Member of the Audit and Human Resources & Compensation committees.

Chuck Strahl

Director since November 2012. Member of the Health, Safety & Environmental and Nominating & Corporate Governance committees.

Josef Vejvoda

Director since January 2016. Member of the Audit, Human Resources & Compensation and Nominating & Corporate Governance committees.

## Learn More

- [Board of Directors](#)
- [Board Committee Charters](#)
- [Governance Documents](#)

# MANAGEMENT TEAM

Our experienced management team establishes and implements the company's strategies, plans, and policies, subject to the direction and oversight of the Board.



Brendan Bell  
Chief Executive Officer (to  
mid-2017)



Matthew Quinlan  
Chief Financial Officer



Chantal Lavoie  
Chief Operating Officer



Elliot Holland  
Vice President, Projects



James R.W. Pounds  
Executive Vice President,  
Diamonds

## Learn More

- [Management Team](#)

# BUSINESS AND FINANCIAL REVIEW

Dominion is executing its long-term strategy and delivering results. The cash flow generated by the Ekati and Diavik mines is expected to be ample to fund our pipeline of growth projects and a renewed focus on exploration.

## Performance Highlights

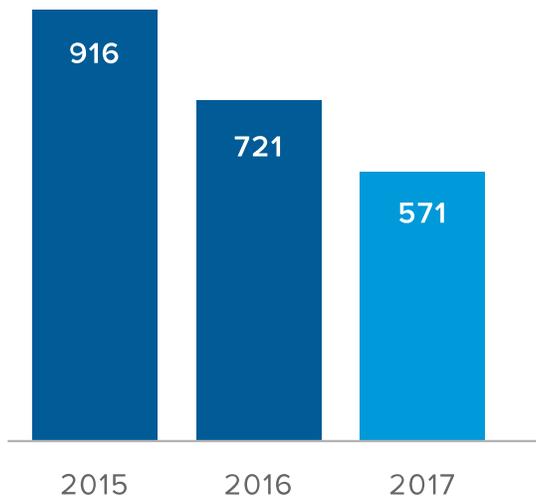
**5.2**

Ekati rough diamond production (100% basis) millions of carats, fiscal year 2017

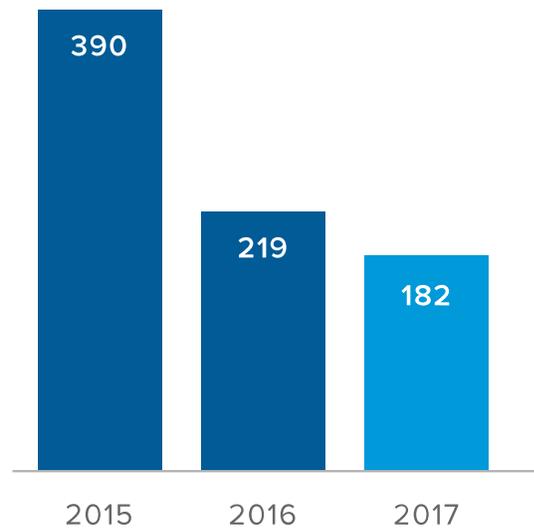
**2.7**

Diavik rough diamond production (40% basis) millions of carats, calendar year 2016

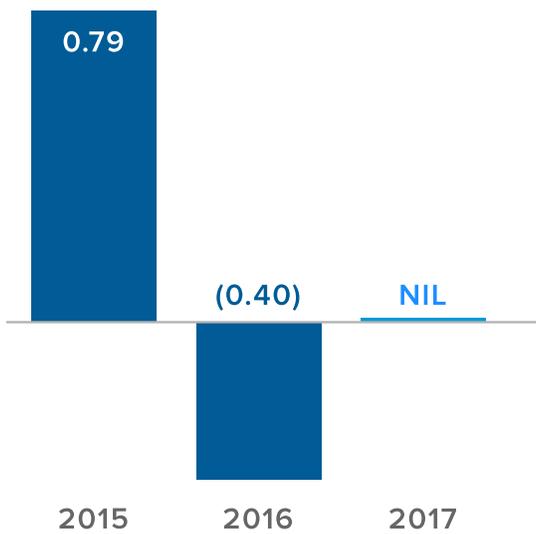
## REVENUE (\$ MILLIONS)



## ADJUSTED EBITDA<sup>(i)</sup> (\$ MILLIONS)



## EARNINGS (LOSS) PER SHARE (\$)



(i) The term "Adjusted EBITDA" does not have a standardized meaning according to International Financial Reporting Standards (IFRS). Dominion defines EBITDA as earnings before interest expense (income), income taxes, and depreciation and amortization. Adjusted EBITDA removes from EBITDA the effects of impairment charges, foreign exchange gains (losses), exploration costs, and the gain on the sale of the company's Toronto office building. For more information on non-IFRS measures, and for Technical Reports, please see our website at [ddcorp.ca](http://ddcorp.ca).

# PERFORMANCE HIGHLIGHTS

Note: Fiscal 2017 is the year ending January 31, 2017.

## Sales

- Fiscal 2017 sales of \$570.9 million decreased by \$149.7 million from the prior year while the number of carats sold of 6.6 million increased by 2.5 million carats from the prior year. The average price per carat sold in fiscal 2017 was \$87 as compared to \$177 in fiscal 2016.
- The reduction in sales reflects a reduction in the value of diamonds sold during the year as a result of the process plant fire at the Ekati mine and a significant amount of lower average value goods being carried over from fiscal 2016 and sold in the first quarter of fiscal 2017.

## Gross Margin

Consolidated gross margin of \$26.4 million decreased by \$25.2 million from the prior year, primarily as a result of the sale of a lower value product mix from both the Ekati and Diavik mines in the first half of fiscal 2017, offset by the sale of rough diamonds from higher value Misery Main open pit and Koala underground ore in late fiscal 2017. The decrease in gross margin was also caused by higher depreciation and amortization recognized in Q4 fiscal 2017 due to the depreciation of the Misery Main pre-stripping asset as the related goods were processed and sold. Impairment charges of \$26 million and \$19.8 million were included in cost of sales in fiscal 2017 and fiscal 2016, respectively.

## Income (Loss) before Income Tax and Net Income (Loss)

- Loss before income taxes was \$40.7 million in fiscal 2017 as compared to a loss of \$11.6 million in fiscal 2016. The larger loss before income taxes in fiscal 2017 was primarily due to the process plant fire at the Ekati mine resulting in \$44.5 million in mine standby costs and an impairment of available-for-sale inventory from the Ekati mine in the amount of \$26 million. Partially offsetting the loss before income taxes in fiscal 2017 was the \$44.8 million gain on sale of the company's downtown Toronto office building in September 2016.
- Consolidated net income attributable to shareholders was \$0.2 million or \$nil per share in fiscal 2017 as compared to a consolidated net loss attributable to shareholders of \$34 million or \$0.40 loss per share in fiscal 2016. Net income in fiscal 2017 was positively influenced by the foreign exchange impact on income tax, resulting in an income tax recovery of \$14.4 million or \$0.17 per share in fiscal 2017.

## Adjusted EBITDA<sup>(i)</sup>

Fiscal 2017 adjusted EBITDA of \$182.2 million was negatively influenced by the process plant fire at the Ekati mine, which resulted in \$44.5 million in mine standby costs being incurred during fiscal 2017, partially offset by the sale of rough diamonds from high-grade Misery Main ore in late fiscal 2017. The \$37.1 million decrease from the prior year is due primarily to the decrease in gross margin as discussed above.

## Production

- The Ekati mine recovered 5.2 million carats from 2.9 million tonnes processed in fiscal 2017. Processing volumes were 23% lower as compared to fiscal 2016 due to the extended shutdown following the process plant fire in June 2016.
- The Diavik mine (100% basis) recovered 6.7 million carats from 2.2 million tonnes processed in calendar 2016. Carats recovered were 4% lower than the revised calendar 2016 plan of 6.9 million carats, due to lower recovered grade as a result of higher levels of underground dilution encountered in the A-418 and A-154 South kimberlite pipes.

## Balance Sheet and Return of Capital

- Share repurchases under the company's normal course issuer bid during fiscal 2017 resulted in the purchase of approximately 3.4 million shares for approximately CDN \$40.9 million.
- The Board of Directors of the company declared an interim and final dividend each of \$0.20 per share on September 8, 2016 and April 12, 2017, respectively.
- In total, the company returned \$65.1 million to shareholders in fiscal 2017 through a combination of dividends and share repurchases.

## Ekati Process Plant Fire

A fire occurred at the Ekati mine process plant on June 23, 2016. Following repairs, the process plant resumed operations at full capacity on September 21, 2016 with a total estimated cost of repairs of \$17 million. Cost savings measures were implemented subsequent to the fire including pausing mining at Pigeon and Lynx open pits for the duration of the shutdown. Mining continued at the higher value Misery Main open pit and Koala underground with the stockpiling of this higher value ore. A \$6.7 million estimated insurance recovery for property damage was recorded in Q3 fiscal 2017, of which CDN \$2.5 million was received in Q4 fiscal 2017. The company holds business interruption insurance covering losses as a result of the fire, but due to the complex nature of this claim, amounts receivable under the business interruption claim cannot be determined at this time.

## Office Building Sale

In September 2016, the company sold its downtown Toronto office building for CDN \$84.8 million, recognizing a pre-tax gain on the sale of \$44.8 million (\$0.46 per share after tax).

## Market Commentary

The diamond market ended the year on a positive note despite the divergence between the resilient market for larger better goods and the more challenging situation for smaller cheaper goods. The Christmas season in the United States failed to meet market expectations, but this was balanced out by renewed retail activity over the Chinese New Year, resulting in an anticipated rise in polished demand from China in the first quarter of fiscal 2018.

Prices decreased in the fourth quarter of fiscal 2017 by an average of 7% over third-quarter performance, reflecting the disruption in normal trading activity following the demonetization of the Indian rupee in November 2016. Much of the manufacturing sector in India that focuses on lower priced rough diamonds was brought to a standstill by the demonetization.

However, the segment of the manufacturing sector that focuses on higher priced rough diamonds, and produces primarily for the export market, has been less disrupted. Demonetization was expected to have a significant adverse impact on the Indian retail jewelry market; however, demand has proved to be more resilient and a return to normal business conditions is expected in the second quarter of fiscal 2018.

(i) The term “Adjusted EBITDA” does not have a standardized meaning according to International Financial Reporting Standards (IFRS). Dominion defines EBITDA as earnings before interest expense (income), income taxes, and depreciation and amortization. Adjusted EBITDA removes from EBITDA the effects of impairment charges, foreign exchange gains (losses), exploration costs, and the gain on the sale of the company’s Toronto office building. For more information on non-IFRS measures, and for Technical Reports, please see our website at [ddcorp.ca](http://ddcorp.ca).

# STRATEGY

Dominion has embarked on a three-pronged strategy designed to increase net asset value per share. Underpinned by a strong balance sheet, our strategy taps into the exceptional potential of our land package, operations, and product.

## Investing in the Growth and Renewal of Our Asset Base

We are advancing a number of key development opportunities at both the Ekati and Diavik mines, and refocusing on exploration in the Lac de Gras region:

**Lynx** – This small pit is located close to Misery and Jay. Commercial production of high-value carats commenced on schedule in April 2017.

**Sable** – The Sable pipe is located north of existing Ekati mine infrastructure and is fully permitted. We published the results of a pre-feasibility study in February 2016. Construction is ahead of schedule and we expect to begin pre-stripping in July 2017, approximately seven months earlier than planned. Cost performance is also well below budget expectations. First production of high-value carats is anticipated in fiscal 2020.

**Jay** – The Jay Project was approved for construction by our Board in July 2016 and is a significant undeveloped deposit at the Ekati mine given its large size and high grade. It extends the mine life by approximately 10 years. Permitting continues to advance, with a decision on the project's water licence expected in mid-calendar 2017.

**Misery Deep** – A positive pre-feasibility study was completed in May 2017 on the development of an underground operation at the Misery pipe after completion of mining in the current open pit. Mining of additional high-value ore and the recovery of additional carats below the final profile of the Misery open pit is expected between fiscal 2020 and fiscal 2023, resulting in an enhanced production profile at the Ekati mine.

**Fox Deep** – Based on successful results from the Fox Deep drilling program at the Ekati mine, indicated resources at the Fox kimberlite pipe increased, as of January 31, 2017, and a high-grade zone has been identified at depth. Completion of a preliminary economic assessment is expected in the third quarter of fiscal 2018, and a pre-feasibility study is scheduled for completion by the end of the fiscal year. If the results of these studies are positive, the Fox Deep project has the potential to extend the life of the Ekati mine significantly.

**A-21** – The development of the A-21 pipe at the Diavik mine continues to progress on time and on budget with the completion of the dike and the start of de-watering expected in late calendar 2017. Following waste stripping, processing of ore from the A-21 pipe is expected to start in calendar 2018.

**Advanced exploration** – With 150 known kimberlites on the Ekati property and the work underway to prioritize targets, our advanced exploration program has the potential to drive significant value growth in a region that hosts some of the richest kimberlites in the world and that we know well. The most advanced exploration targets are the Kodiak and Leslie pipes, which are located within reach of the processing plant at the Ekati mine. A maiden resource for the Leslie pipe was published in May 2017, and a concept study is planned later in 2017.

The CDN \$11 million exploration program for fiscal 2018 includes prioritization of kimberlite pipes and planning for a bulk sampling program in fiscal 2019. We plan to drill up to six identified priority targets, including the Kodiak pipe, in the Core and Buffer Zones. The focus is on near-mine targets, which we believe present the best opportunities to drive long-term value because they allow us to leverage existing infrastructure.

## **Driving Efficiencies and Lowering Operating Costs**

A number of efficiency improvements and cost reduction initiatives have been successfully implemented at the Ekati and Diavik mines and we continue to identify new opportunities. For example, we have reduced energy consumption and continue to implement our long haulage strategy at the Ekati mine with the addition of high-capacity road trains, lowering our unit transportation costs significantly. In March 2017, we filed an updated technical report for the Diavik mine, which demonstrated improved economics and supported an extension of the mine life from 2023 to 2025.

We are ramping up to full production at the Fines Dense Media Separation (DMS) plant at Ekati, which will increase the recovery of diamonds smaller than 1.2 millimetres.

We are also taking action on our office space. In fiscal 2017, we sold our downtown Toronto office building for a pre-tax gain of CDN \$44.8 million and announced plans to relocate our corporate office from Yellowknife to Calgary in mid-calendar 2017, which is expected to deliver savings of approximately CDN \$19 million annually.

## **Maximizing the Value of Our Product**

We will continue to leverage our deep knowledge in diamond sales and marketing to maximize the value of our product.

Our CanadaMark™ hallmark has been well received by retail consumers who favour the environmental and social stewardship that a Canadian diamond represents, and we plan to extend the brand. We also have strategic initiatives underway for marketing our product by working with clients to move further downstream and capture the premium associated with our Canadian production, and to protect and grow demand for all ranges of our production.

# OPERATIONS

Our flagship assets – the Ekati Diamond Mine and the Diavik Diamond Mine – are two of the world's highest rock value diamond mines. Diamonds are produced from a number of kimberlite pipes, providing a diversity of supply and reduced operational risk.

## Ekati Mine

The Ekati mine is Canada's first surface and underground diamond mine. Open pit operations started in August 1998, and the mine officially opened in October of that year. Cumulative production to January 2017 has totalled approximately 67.8 million carats.

The reserves base case mine plan is based on production from six kimberlite pipes: Misery Main, Pigeon, Sable, Lynx and Jay open pits, and Koala underground operations. Currently, Pigeon, Lynx, and the high-value Misery Main and Koala pipes are being mined.

## FISCAL 2017 HIGHLIGHTS

- Recovered 5.2 million carats from 2.9 million tonnes processed. Processing volumes were 19% lower as compared to fiscal 2016 due to the extended shutdown following the process plant fire.
- Cash cost per tonne processed decreased to \$67.5 per tonne from \$87.3 per tonne in fiscal 2016. Despite the decrease in total tonnes processed as a result of the process plant fire, strong processing volumes during the period the process plant was operating resulted in lower cash costs per tonne.
- The largest gem quality diamond produced to date at the mine – a 186-carat diamond from the Pigeon pit – was recovered and sold in September 2016.

## Diavik Mine

In production since 2003, the Diavik mine is Canada's largest diamond mine in terms of carat production. The mine is operated by Diavik Diamond Mines (2012) Inc., a subsidiary of Rio Tinto plc. Dominion receives 40% of the diamond production from the Diavik mine and pays 40% of the mine's operating and capital costs.

Three high-grade kimberlite pipes are currently being mined: A-154 South, A-154 North, and A-418. A fourth pipe, A-21, is currently in development with the first kimberlite production anticipated by the end of 2018.

## CALENDAR 2016 HIGHLIGHTS

- Diavik mine (100% basis) recovered 6.7 million carats from 2.2 million tonnes processed. Carats recovered were 4% lower than the revised calendar 2016 plan of 6.9 million carats, due to lower recovered grade as a result of higher levels of underground dilution encountered in the A-418 and A-154 South kimberlite pipes.
- Cash cost per tonne processed decreased to \$135 per tonne from \$152.4 per tonne in fiscal 2016, and total cost per tonne processed decreased to \$224.6 per tonne from \$250.3 per tonne in fiscal 2016, in both cases reflecting relatively stable production costs over a greater number of tonnes processed in fiscal 2017.
- An updated technical report was filed for the Diavik mine on March 31, 2017, which demonstrated improved economics and supported an extension of the mine life from 2023 to 2025.

# FINANCIALS

The much-anticipated ramp-up of high-value production at the Ekati mine, together with steady performance at Diavik, is driving growth in gross margins and Adjusted EBITDA. Dominion ended the year well positioned to advance its suite of development projects with internally generated cash flows.

A strong balance sheet supports the company's capital allocation strategy. At January 31, 2017, we had \$136.2 million in total unrestricted cash and cash equivalents, debt of \$10.6 million, and \$210 million available under a corporate revolving credit facility. In fiscal 2017, we returned \$65.1 million to shareholders through a combination of dividends and share repurchases.

- [Q4/Year-End Financial Report](#)

# CSR APPROACH

Dominion's dedication to responsible mining is part of our value proposition – both to our customers and retail consumers and to our shareholders, communities, employees, and other stakeholders.

We work hard to promote a safe and healthy workplace, protect the environment, and contribute to the quality of life of local communities – and we take great pride in producing diamonds that have a beautiful and ethical story to tell.

Our [Sustainable Development Policy](#) spells out how we build a culture of commitment, trust, and respect for people and the environment. The policy identifies goals and approaches in eight areas:

- Zero harm
- Safety
- Health
- Environmental protection
- Risk management
- Community engagement
- Compliance
- Creating value

The Sustainable Development Policy aligns with two international standards – OHSAS 18001 for health and safety management systems and ISO 14001 for environmental management systems – as well as expectations defined in the Towards Sustainable Mining (TSM) initiative through the Mining Association of Canada (MAC). TSM has gained international renown and been adopted by national mining associations in Argentina and Finland as well as Canada. As a member of MAC, Dominion is expected to follow MAC policies and programs, and we use TSM reporting as part of a suite of tools that drive continuous improvement.

Dominion is also a part owner of the Diavik mine, which is operated by a subsidiary of Rio Tinto plc. We are fully committed to the sustainable development objectives and programs employed at the mine and we rely on the operator for their implementation and management. Rio Tinto is also a member of MAC and participates in the TSM initiative. This report focuses on the Ekati mine, which we operate. The Diavik mine publishes its own [sustainable development report](#), which is posted on our website.

## TSM Excellence Awards

At the TSM awards ceremony held in May 2017, Dominion received the top award in the Environmental Excellence category for our waste management efforts. We were also a finalist in the Community Engagement category for partnering with local communities to protect caribou.

# ETHICS AND INTEGRITY

We uphold high standards of business conduct and ethics in our own operations, and partner with industry peers to promote responsible, ethical environmental and social practices throughout the diamond supply chain.

Our [Code of Ethics and Business Conduct](#) (the Code) is written to ensure that directors, officers, suppliers, and employees understand the importance we place on ethical conduct. All employees must read the Code and confirm in writing that they have done so, and must agree to abide by the terms as a condition of employment. Under the Code, they have a duty to report any suspected violations to their supervisor, to a member of the Senior Leadership Team, or to a member of the Ethics and Compliance Committee, or to follow the procedures set out in our [Whistleblower Protection Policy](#).

## Supply Chain Integrity

All suppliers and contractors are expected to understand and comply with our policies and procedures and our Code of Ethics and Business Conduct. In 2017, we will develop a Supplier Code of Conduct, and all suppliers and contractors will be expected to adhere to it as well.

Supply chain systems and processes are designed to add value to our business and reduce risk. The new supply chain policy, rolled out in May 2016, gives preference to northern and Impact Benefit Agreement (IBA) affiliated businesses, with a specific focus on vendors affiliated with groups that are party to an IBA. The policy confirms our commitment to work only with suppliers that demonstrate safe operating practices, ethical business conduct, and responsible environmental management practices.

Dominion takes deliberate steps to maximize business opportunities for northern and northern Aboriginal businesses. In late 2016, we initiated a process of issuing quarterly business opportunity summaries to our IBA partners to give them advance notice and a chance to reach out directly to us to express an interest in certain scopes of work.

For small businesses looking to grow, participation in competitive bidding can be complex. We are prepared to offer support and advice to northern and IBA-affiliated businesses on our proposal submission process, to make it accessible for all businesses, to promote competition, and to facilitate compliance with our submission requirements.

## Product Responsibility

Customers wishing to purchase rough diamonds from Dominion are required to confirm in writing, on their own letterhead, that all efforts will be taken by their management to implement the requirements of the [Responsible Jewellery Council \(RJC\) 2013 Code of Practices](#). They must also confirm the following:

- They will not employ children who are less than the age of completion of compulsory schooling. In any case, they will not employ children who are less than 15 years of age. They will maintain proof of age for their employees.
- They will not indulge in practices such as withholding important original documents from employees or restricting employee movements, which can result in forced labour.
- They will pay at least the minimum wages required by law (as applicable) to all employees.
- They will attend to employee safety issues so that serious injury or death does not result.
- They will respect human rights of all employees and ensure no abuse of such rights.
- They will ensure that no significant adverse effect is caused to the environment.
- They will only trade in ethically sourced diamonds.
- They will always disclose any treatment that may be carried out on diamonds.
- They will not engage in money laundering or financing of terrorism.
- They will not be involved in any action that may bring disrepute to the gems and jewelry industry.

## CanadaMark™

Our [CanadaMark](#) hallmark program is a strategic initiative to assure the integrity of the supply chain of Canadian diamonds from mine to retail. The program offers both certified and melee diamonds that are:

- Responsibly mined in Canada's Northwest Territories
- Natural and untreated
- Tracked through audited processes at every stage, from country of origin to polished stone

CanadaMark certified diamonds are polished to meet specific quality standards, and are laser inscribed with the CanadaMark logo and a unique serial number. This number is recorded on a certificate card, which accompanies the diamond on the rest of its journey to customers.

Canada's subscription to the Kimberley Process Certification Scheme (KPCS) and the System of Warranties further ensures that all diamonds the company sells are of known country of origin and are ethically sourced.

## Industry Associations

Dominion is a member of the [Responsible Jewellery Council](#) (RJC), which promotes responsible, ethical environmental and social practices throughout the diamond chain. Our Sustainable Development Policy, Code of Ethics and Business Conduct, and our corporate social responsibility activities illustrate our commitment to the RJC's responsible business practice standards.

We are also a founding member of the [Diamond Producers Association](#) (DPA), whose mission is to protect and promote the integrity and reputation of diamonds, thereby ensuring the sustainability of the diamond industry.

### Kara Ross – DIAMONDS UNLEASHED



Dominion created a strategic partnership with world-renowned jewelry designer Kara Ross for her new [DIAMONDS UNLEASHED](#) brand. Under this strategic alliance, DIAMONDS UNLEASHED uses CanadaMark diamonds exclusively in all its collections. The collections aim to become a symbol of women's empowerment, achievements, and strength.

In 2016/17, DIAMONDS UNLEASHED partnered with two non-profit organizations that support women's education and empowerment. Under the partnership, [She's the First](#) and [Girls Who Code](#) receive 100% of net profits for their work supporting women's education.

# STAKEHOLDER ENGAGEMENT

Meaningful stakeholder engagement helps us make decisions that are in the best interests of our business and the regions where we operate. Through a variety of processes, we seek to understand our stakeholders’ priorities and concerns, share information about our operations and future plans, and identify opportunities for creating shared value.

At the operations level at the Ekati mine, we identify our key stakeholders as our Impact Benefit Agreement (IBA) partners, potentially impacted communities, the territorial government, employees, and northern communities and businesses.

At the corporate level, our primary stakeholders are existing and potential shareholders, and business chambers/associations, while our primary marketing stakeholders are customers, retail partners, and end consumers.

Listed below are the groups with which we work closely, and that are most involved in, and affected by, our operations:

| Stakeholder group                              | Typical approaches   | Key topics  |
|--|--|---|
| Government of the Northwest Territories (GNWT) | Regular meetings<br>Socio-Economic Agreement (SEA) reports | Environmental agreements<br>Socio-Economic agreements<br>Permitting |

| Stakeholder group   | Typical approaches  | Key topics  |
|---|---|---|
| <p>IBA partners – the Tłıchǫ Government, Akaıtcho Treaty 8 Council, North Slave Métis Alliance, and the Hamlet of Kugluktuk/Kitikmeot Inuit Association</p> | <p>Formal annual meetings</p> <p>Frequent informal meetings throughout the year</p> <p>Collaboration on Traditional Knowledge and environmental monitoring programs</p> <p>Social media</p> | <p>IBA commitments related to job creation, business opportunities, community development, capacity building, and environmental stewardship</p> |
| <p>Other potentially impacted communities</p>   | <p>Annual meetings</p> <p>Frequent informal meetings</p> <p>Collaboration on Traditional Knowledge and environmental monitoring programs</p> <p>Social media</p>                            | <p>Commitments related to job creation, business opportunities, community development, capacity building, and environmental stewardship</p>     |
| <p>Co-management boards – Mackenzie Valley Environmental Impact Review Board and the Wek'èezhìi Land and Water Board</p>                                    | <p>Regulatory processes, including written filings and technical and public hearings</p> <p>Meetings</p> <p>Workshops</p>   | <p>Permitting</p> <p>New projects</p> <p>Reclamation plans</p> <p>Wildlife and environment</p>  |
| <p>Independent Environmental Monitoring Agency (IEMA)</p>   | <p>Quarterly meetings</p> <p>Annual General Meeting</p> <p>Site visits</p>  | <p>Environmental agreements</p> <p>Water, wildlife, and the land-based way of life essential to the well-being of Aboriginal people</p>         |

| Stakeholder group    | Typical approaches  | Key topics   |
|----------------------|---|--|
| Employees            | Quarterly town hall meetings<br>Employee newsletters<br>SharePoint portal notices<br>Notices on closed circuit TV (CCTV) system<br>Letters and e-mails<br>Inserts in pay stub envelopes | Business performance<br>Training<br>Pay and benefits changes<br>Union negotiations       |
| Northern communities | Quarterly meetings<br>Workshops<br>Site visits<br>Public presentations<br>Community newsletter<br>Social media  | Wildlife and environment<br>Training and employment<br>New projects<br>Reclamation plans |
| Northern businesses  | Regular reviews with largest suppliers<br>Formal in-person meetings with business arms of IBA partners<br>E-mail correspondence   | Business opportunities<br>Standards and processes<br>Safety                              |

| Stakeholder group              | Typical approaches  | Key topics  |
|--------------------------------|---|---|
| Customers                      | One-on-one meetings<br>Trade show visits  | Contract terms<br>Periodic tenders<br>Marketing initiatives<br>Market developments  |
| Shareholders                   | Industry conferences<br>One-on-one meetings<br>Analyst meetings<br>Quarterly conference calls<br>Mine site tours<br>Annual General Meeting  | Sales, production, and operational performance<br>Financial performance<br>Diamond market<br>Corporate strategy   |
| Business chambers/associations | Membership in and engagement with:<br>NWT and Nunavut Chamber of Mines<br>NWT Chamber of Commerce<br>Yellowknife Chamber of Commerce<br>Mining Association of Canada<br>India's Gems & Jewelry Export Promotion Council (GJEPC)<br>Responsible Jewellery Council<br>Diamond Producers Association | Mining industry<br>Northern business opportunities<br>Regulatory process<br>Integrity and reputation of diamonds<br>Consumer engagement<br>Best practices in the areas of health, safety, partnership with local communities, social responsibility, supply chain, and environmental management |

| Stakeholder group | Typical approaches  | Key topics   |
|-------------------|---|--|
| Retail partners   | One-on-one meetings<br>Annual surveys<br>Trade show visits<br>American Gem Society membership | Marketing and promotion initiatives<br>Sales performance |
| End consumers     | Social media channels<br>Half-yearly consumer surveys   | Consumer diamond interests                               |



On October 26, the Ekati Diamond Mine hosted Chief Ernest Betsina, Chief Edward Sangris, and other representatives from the Yellowknives Dene First Nation. Following a discussion about the Jay and Sable projects at the main camp, the group toured the Sable project with Keith Sangris, Dominion's Superintendent of Sable Construction Operations.

The Trail Blazers crew in Łutsel K'e made areas outside of the community more accessible to residents and tourists by clearing the traditional trails to Lady of the Falls. The project created short-term employment opportunities and reinforced the importance of safety awareness in a job setting. Dominion supported the project by providing safety equipment.



# OUR PRIORITIES

We periodically conduct materiality reviews to ensure that our CSR efforts and reporting are focused on the topics that matter most to our stakeholders and our business. Our process includes interviews with company executives and subject matter experts, as well as a document review of the priorities of other mining companies with similar business profiles.

The table below presents social and environmental development priorities identified in our last materiality review, conducted in 2015. We plan to conduct our next review in 2017. The intent is, in time, to align with internationally recognized reporting guidelines such as the Global Reporting Initiative (GRI) G4 Sustainability Guidelines.

| Pillars                             | Priority Topics  |
|-------------------------------------|--|
| Strategy, leadership and governance | <a href="#"><u>Leadership and governance</u></a><br><a href="#"><u>Stakeholder engagement</u></a>  |
| Community and economic impacts      | <a href="#"><u>Community engagement and investment</u></a><br><a href="#"><u>Aboriginal partnerships</u></a>   |
| People                              | <a href="#"><u>Attracting and retaining employees</u></a><br><a href="#"><u>Developing our people</u></a><br><a href="#"><u>Health and safety</u></a>  |
| Environment                         | <a href="#"><u>Biodiversity impacts</u></a><br><a href="#"><u>Water stewardship</u></a><br><a href="#"><u>Energy management</u></a><br><a href="#"><u>Waste management</u></a><br><a href="#"><u>Reclamation</u></a> |

# COMMUNITY AND ECONOMIC IMPACTS

Dominion aims to improve lives and strengthen the communities and regions in which we operate. While many of our obligations are spelled out in contractual agreements and regulations, we strive to live up to both the letter and the spirit of our commitments.

Our approach to communities focuses on building strong relationships based on trust and mutual respect, supporting social and economic development, and creating local jobs and business opportunities. When issues arise, we endeavour to resolve them in collaborative and respectful ways.

## Performance Highlights

We directly employed **595 northern residents**, representing 63% of our total employee base at the Ekati mine and exceeding our northern target of 62%.\*

**57%** of northern employees were northern Aboriginal, exceeding our target of 50%.

Dominion spent **CDN \$335 million** in Canada's North, of which 43% (CDN \$144 million) supported Aboriginal businesses.

\* Figure represents person years. One person year equals 2,080 hours per year, except for construction, which equals 2,736 hours per year.

# ABORIGINAL PARTNERSHIPS

Our Aboriginal partners in northern Canada are important stakeholders whose rights, Traditional Knowledge (TK), and cultural heritage we respect and value. Our mines could not succeed without their support, and we in turn share the benefits of our operations with them.

At the Ekati mine, we have Impact Benefit Agreements (IBAs) for the life of the mine with four groups:

- the Tłı̨chǫ Government
- Akaitcho Treaty 8 (including Yellowknives Dene First Nation and Łutsel K'e Dene First Nation)
- North Slave Métis Alliance
- the Hamlet of Kugluktuk/Kitikmeot Inuit Association

The IBAs establish commitments to funding, training, preferential hiring, business opportunities, and communications. Since inheriting the IBAs when we took ownership of the Ekati mine, we have worked with our partners to explore additional community development initiatives that go above and beyond the original agreements.

The Diavik mine has negotiated private Participation Agreements with five Aboriginal groups:

- the Tłı̨chǫ Government
- Yellowknives Dene First Nation
- North Slave Métis Alliance
- the Kitikmeot Inuit Association
- the Łutsel K'e Dene First Nation

These agreements provide for mine-related training, employment, business development, and capacity-building opportunities. Diavik also has a socio-economic monitoring agreement with the GNWT, and the five Aboriginal groups are signatories.

Ongoing engagement, consultation, and collaboration are key to making these relationships work. Topics of discussion include wildlife and environment, training and employment, future projects, and reclamation plans. We directly involve IBA communities in environmental monitoring programs in order to effectively align TK into our operations.

In addition, we have formal yearly meetings with each of the business arms of our IBA partners, and issue expression of interest letters to share upcoming project opportunities. Where possible, we divide work up in order to give small or new businesses an opportunity to work on smaller contracts, allowing them to build capacity. We also ask businesses to consider forming IBA joint ventures where there is an opportunity for mutual benefit.

Although the terms of the IBAs and Participation Agreements are confidential, performance details on many of the topics can be found in the [Ekati Diamond Mine 2016 Socio-Economic Agreement Report](#) and the [Diavik Diamond Mine 2016 Sustainable Development Report](#).

## Community Caribou Engagement Program



### Partnering with Aboriginal communities to protect the Bathurst caribou herd population is an ongoing activity.

At the Ekati mine, we have developed caribou mitigation measures to help identify factors behind the recent decline in the herd's population and take proactive steps to limit potential impacts from mining activity and our planned Jay Project expansion. Community engagement was paramount to the

measures' design, and Aboriginal groups and other stakeholders continue to be integral to their implementation. Aboriginal groups are taking the lead role in monitoring the herd's activities and sharing critical information with the company and with Aboriginal and territorial governments to support the management and protection of the herd. Traditional Knowledge (TK) has been sought out for all measures, which has translated into changes on the ground.

For example, Aboriginal groups advised on the design and placement of the future Jay pipe access road to make it more caribou friendly and to ensure it crosses at the narrowest point of the esker – known as “caribou highway” – to minimize impacts. TK has also contributed to our reclamation efforts, with Aboriginal groups advising on the locations of wildlife access ramps in the waste rock areas being reclaimed.

Despite the fact that our research has shown that the Jay Project is expected to contribute little to the cumulative effects on caribou, we are committed to mitigating any small residual impacts from the Ekati mine on the herd. We are providing more than CDN \$1 million to the territorial government to support zone of influence research. The funds will go towards geo-fence collars, which will generate the data necessary to help the government determine the causes of the herd's decline in the region and develop strategies and plans to improve the health of the caribou population.

## Learning the Way of the Drum



We were pleased to support the Northern Youth Leadership program, which held a week-long drum-making workshop in October 2016. Seven youth from across the North learned how to fish, hunt, make their own drums, and develop leadership skills such as goal setting and identifying positive traits in themselves.

The program connects young men and women with the outdoors and builds their self-esteem. Dominion supports the program because it teaches future leaders, through traditional and non-traditional methods, to build confidence and become mentors in their communities.

# COMMUNITIES IN NORTHERN CANADA

Dominion's mining activities and people are part of the fabric of the remote northern region in which our operations are located.

## Engagement

We maintain regular dialogue with local communities, recognizing that our presence can bring both opportunities and concerns for residents.

At the Ekati mine, we are guided by the Ekati Mine Engagement Plan, which outlines well-established activities that build on practices developed during the early days of the mine. These include community and Impact Benefit Agreement (IBA) meetings, workshops, and site visits, and the involvement of Elders and youth in TK and environmental monitoring projects.

Environmental reports are submitted to the Wek'èezhìi Land and Water Board (WLWB), all of which are posted to the WLWB's public registry, where any party can provide comments or raise questions. Both the Ekati mine and the Diavik mine publish annual reports related to their socio-economic performance, which are posted on their websites.

A key topic of discussion at the Ekati mine in 2016 was the Jay Project. Throughout the planning and permitting process, we shared our plans with the communities, conducted site visits, collaborated on studies, and addressed questions and concerns. In December 2016, public hearings for the Jay water licence and land use permit were conducted by the Mackenzie Valley Land and Water Board (MVLWB) and the WLWB, covering water quality and management, construction monitoring, and aquatic effects monitoring.

In keeping with measures outlined in the Report on the Environmental Assessment for the Jay Project, we created a TK Elders Group to provide input into mine planning and decision making. The Elders Group met twice in 2016 to establish its terms of reference. It was agreed that the Group would provide advice on the Jay road, esker crossing, and waste rock storage area ramps to reduce impacts on caribou; the cultural camp at the mine; and other matters such as water, land, fish, air, closure, and post-closure.

## Learn More

- [Ekati Diamond Mine 2016 Socio-Economic Agreement Report](#)
- [Diavik Diamond Mine 2016 Sustainable Development Report](#)

## Investment

The Ekati mine has commitments under a Socio-Economic Agreement (SEA) with the Government of the Northwest Territories that has been in place since 1996, prior to our acquisition of the mine. These commitments relate to employment, community development, and business opportunities for northerners and northern Aboriginal residents.

Our calendar year 2016 highlights are presented below. The [Ekati Diamond Mine 2016 Socio-Economic Agreement Report](#) provides performance details.

**Employment:**

- Dominion employed 595 northern residents\*, of whom 57% were northern Aboriginal, exceeding our SEA target of 50%. Of our entire employee base, 36% were northern Aboriginal.

**Business opportunities:**

- We strive to maintain positive working relationships with northern and northern Aboriginal contractors to build capacity for northern businesses and to have a positive impact on the northern economy.
- Aboriginal-owned businesses and joint ventures have secured numerous contracts at the Ekati mine, including contracts for mining services, explosives and blasting supply, catering, transportation services, janitorial services, as well as freight, cargo, and mail transportation services.
- In 2016, Dominion spent over CDN \$335 million in the North, up from CDN \$258 million in 2015. More than CDN \$144 million, or 43% of northern spend, went to Aboriginal businesses, a significant increase over the CDN \$97 million spent on Aboriginal businesses in 2015. The increase in northern business expenditure can be attributed to additional earth moving equipment, building construction, and cargo/freight services. The additional Aboriginal business expenditure is a result of increased building construction and cargo/freight services.
- The majority of the Ekati mine's 2016 northern expenditure went into four categories:
  - Earth moving equipment
  - Freight, cargo, and mail transport
  - Mine drilling and blasting services
  - Building construction and maintenance

\* Figure represents person years. One person year equals 2,080 hours per year, except for construction, which equals 2,736 hours per year.

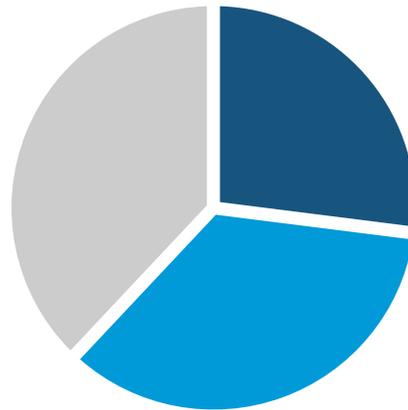
## Community Development

Through the Ekati Plus Community Development Program, we provide financial and in-kind support to projects and organizations that help build resilient, sustainable communities. Our efforts include funding Traditional Knowledge (TK) activities in order to promote and support First Nations, Inuit, and Métis heritage; and investing in the future of the North by supporting youth education and literacy initiatives. See pages 5 and 6 of the [Ekati Diamond Mine 2016 Socio-Economic Agreement Report](#) for a list of the groups supported.

In 2016, Dominion contributed almost CDN \$5.3 million to Northern communities in the Northwest Territories and Nunavut through IBA payments, scholarships, and donations.

Diavik Diamond Mine also contributes approximately CDN \$5 million annually to local communities through Participation Agreements with Aboriginal communities, community projects, donations, and scholarship funding, of which Dominion contributes 40%, or CDN \$2 million. See page 12 of the [Diavik Diamond Mine 2016 Sustainable Development Report](#) for a list of community programs supported by the Diavik mine during the year.

Ekati Mine 2016 Expenditure by Priority Group



- Northern Aboriginal – CDN \$144 million (27%)
- Northern non-Aboriginal – CDN \$191 million (35%)
- Other – CDN \$204 million (38%)

## KòGocho Complex



youth, adults, and Elders to stay active and interact with one another in a positive setting.

Dominion is proud to support projects and initiatives that promote and encourage healthy living and cultural experience opportunities for all ages. The much-anticipated KòGocho Complex is a 50,000 square foot sportsplex in Behchokò, Northwest Territories, which reopened in 2016. The complex will have a significant impact on the well-being of the community, offering opportunities for children,

The building, originally constructed in 1985 and operational until major renovation requirements caused its closure in 2007, houses an ice rink, gym, youth centre, exercise room, and offices. The Tłıchǫ community of nearly 2,000 people, located 80 kilometres northwest of Yellowknife, will benefit from the updated facility as a place to host big events and large crowds.

Dominion is proud to support the Tłıchǫ government in its work to provide regional sports and physical recreation facilities for its citizens by providing funding for the completion of the complex through a multi-year donation.

## Supporting Northern Contractors



**Dominion strives to maintain positive working relationships with northern contractors to build capacity and have a positive impact on the northern economy.**

Since many of our IBA-affiliated partners are either in the development stages of their business or in the same industry, competition and increased overhead costs can make it difficult to operate and grow as a business.

We consider these aspects when evaluating proposals and quotes. “When possible, we look for ways to ‘unpackage’ scopes of work to give small businesses an opportunity to work on a smaller contract or a portion of a larger contract, which allows them to build capacity. We also ask businesses to consider forming IBA joint ventures where there is an opportunity for mutual benefit,” says John Ross de Vries, Head of Supply Chain.

## Ekati Plus Scholarship Recipients



Dominion is proud to award scholarships to young people from the North who want to make a positive difference in their communities and work for a bright future. Shelagh Byatt and Gavin Wilkes were two recent recipients:

**Shelagh Byatt** is from Fort Simpson, Northwest Territories, and is working towards her Bachelor of Science degree in Nursing at Trent University in Peterborough, Ontario.

“I hope to participate in the continued development of an inclusive healthcare and social system, one where a person’s socio-economic standing doesn’t determine the level of care,” says Shelagh.

“When I finish my nursing program, I want to return home to the Northwest Territories to apply the knowledge I’ve gained and further develop the strong ethical beliefs and values I’ve acquired as a member of my community.”

**Gavin Wilkes** is also from Fort Simpson and is going to school at the University of Alberta, Augustana Campus, in Camrose, Alberta, working towards a Bachelor of Arts degree in Drama (major) and Philosophy (minor).

“My career goals are to act and direct in theatre, film, and television,” says Gavin. “I’m excited to integrate Aboriginal culture into the work I will be doing. I also want to continue to be involved in First Nations acting opportunities and, as an actor, be a visual representation of Canadian First Nations art and culture.

“Acting and directing are brilliant ways to express Aboriginal culture, politics, social issues, and create awareness among a wide audience that can and will shape the North. We must focus on the cultural art movement in the North through acting, directing, and theatre opportunities, and through the many artistic individuals who live here.”

# COMMUNITIES IN INDIA

In India, companies are required to spend 2% of their average net profit over the preceding three fiscal years on social development activities. Here, as in Canada, we endeavour to do more than simply meet our legal requirements. Our team in India has an active Corporate Social Responsibility (CSR) Committee that develops policies and guides activities.

Based on the needs of the local population, the Committee has identified four focus areas: healthcare, education, residences and daycare facilities for the elderly, and the empowerment of women.

In 2016, we continued to partner on CSR activities with Dishantar, a grassroots non-governmental organization working in the Ratnagiri district of Maharashtra, India. Dishantar's goal is to empower underprivileged people in their drive for freedom and development. It also supports education, hamlet and livelihood development, and the empowerment of women.

Our first CSR project, which started in March 2016, was a clean water initiative that delivered domestic water purifiers to 100 households in impoverished, remote communities. In addition to providing funding, Dominion employees visited the communities to teach good home hygiene practices.

Later in the year, the Dishantar team built private washrooms in 10 homes and two public washroom facilities as part of the Sanitation for All project. A separate Water for All project delivered a bore well and a 10,000-litre water tank to benefit a community of 130 people.

Dominion also provided financial support to a group of women (who have become known as "Annapurnas") in a local community, who started an organic farm, growing fruit and vegetables to feed their families and selling the surplus in local markets. On a visit to their farm in 2016, we were pleased to donate a power tiller to help them increase production.

In April 2017, a delegation of Dominion and Dishantar staff visited the communities we support to see the work that had been done and to gather ideas for future initiatives.



“I’m proud to work for a company that supports community development. With our contribution to the Annapurna project, people are earning income and women are becoming more independent. The Annapurna team is now a role model for other women.”

**Riten Rathod**

Manager, Diamond Control  
Dominion Diamond (India) Private Limited

# OUR PEOPLE

Dominion has a diverse and multifaceted workforce that drives the company's success. Keeping our workplace safe, and helping employees develop skills that support their personal growth and strengthen our business, are ongoing priorities.

At the Ekati mine, the Socio-Economic Agreement sets targets for northern and Aboriginal employment as a means of building capacity in the North and contributing to the economic well-being of northern people. To live up to these commitments, we have a preferential hiring policy that gives qualified Impact Benefit Agreement (IBA) members, northern Aboriginal candidates, and northern residents priority for jobs and contractor positions. We have also put in place initiatives to help northern residents gain the necessary skills and education for employment in the mining sector.

Almost half of Ekati's workforce was made up of contractors in 2016. Although they are not direct employees of Dominion, they are treated with the same respect and are expected to uphold our values and Code of Ethics and Business Conduct. They participate in many of our employee programs, including health and safety, internal communications, and select training programs.

In India, we employ close to 80 people, the large majority of whom are involved in diamond sorting and valuation. While our core values remain the same wherever we operate, employment practices are tailored to the local context.

Note: Employees working at the Diavik mine are employed by DDMI, a wholly owned subsidiary of Rio Tinto and the operator of the Diavik mine. Please see the [Diavik Diamond Mine 2016 Sustainable Development Report](#) for details about Diavik mine employee practices and performance.

## Performance Highlights

The All Injury Frequency Rate (AIFR) of **0.77** at the Ekati mine was an improvement of almost 30% over the previous year's result.

The Ekati mine employed **61 apprentices**, either directly or through contractors.

Approximately **7 out of 10 women** at the Ekati mine worked as apprentice carpenters, crane operators, machinists, millwrights, plumbers, and technicians – or in other non-traditional roles.

180 employees participated in walking challenges as part of the Working on Wellness (WoW) program.



Dominion earned the Safe Day  
Everyday Gold Award for the  
second consecutive year.

# ATTRACTING AND RETAINING EMPLOYEES

Dominion provides well-paying jobs with ongoing skills development. We strive to attract, retain, and engage diverse talent and give our people the support and opportunities to develop, thrive, and achieve their potential.

## Canada

At the Ekati mine, we have a unique workplace where mining employees generally work two-week, 12-hour shifts at the mine, followed by two weeks out. Round-trip flights are provided from a number of northern communities. Creating conditions where people enjoy themselves and can flourish is essential for retaining them.

The starting point is a commitment to treat everyone with respect and dignity, as set out in our Code of Ethics and Business Conduct. In addition, the company does not tolerate discrimination of any form, and we respect employees' rights to join unions and engage in collective bargaining.

We offer employees:

- A safe work environment
- Fair compensation, healthcare benefits, and a pension plan
- A variety of training and development programs
- Robust internal communications, including regular town hall meetings, and live updates on our company portal and CCTV system
- A commitment to equal opportunity and programs that support women in non-traditional roles
- A variety of social, cultural, and wellness activities that support social, physical, and mental well-being

In November 2016, we announced that we would relocate our corporate office from Yellowknife, Northwest Territories, to Calgary, Alberta, in the middle of calendar year 2017. The move is aimed at reducing operating costs and supporting the company's long-term strength. The relocation of the office will affect approximately 100 employees based in the Northwest Territories and a small number of employees from the Finance team in our Toronto office.

Most of our workforce, including the majority of northern Aboriginal employees, will continue to be employed in the Northwest Territories. In addition to our teams at the Ekati mine site, we are maintaining an office in Yellowknife with a number of key positions.

58% of the Ekati mine workforce is unionized. In March 2017, the union representing these workers ratified a new collective agreement that runs until May 2019.

## India

At our Mumbai office, we have a team of almost 60 sorting staff led by experienced managers. The team has more than doubled in the last three years as certain sorting functions have relocated from Toronto to Mumbai to be closer to our customers. To meet the needs of new employees, our corporate trainer from the Northwest Territories spent six months in the Mumbai office providing skills development in diamond sorting.

The other members of our staff in India include security, finance, technology, and administrative personnel.

## Cultivating a Culture of Respect



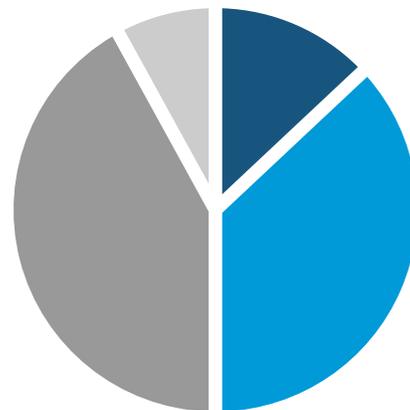
As a Canadian company with global reach, we want to cultivate a culture of respect and understanding within our workforce. To facilitate this, our training department updated and expanded the cross-cultural awareness training provided to each new employee at the Ekati mine. With the support of the Government of the Northwest Territories, which generously permitted Dominion to use videos from its own training modules, the computer-based module educates participants on the heritage, culture, and values relevant to the area in which we operate. In addition to formal training, staff participate in cultural experiences intended to augment the computer modules.

# DEVELOPING OUR PEOPLE

Equipping our employees with the skills they need to advance their careers and take on increased responsibility is a priority across the company. We offer a variety of training programs, including the following:

- **Apprenticeship programs** help northern residents gain the skills, knowledge, and hands-on experience needed to excel in their path toward journeyman status. The Ekati mine offers apprenticeships in the areas of carpentry, millwrighting, plumbing, mobile crane operation, machining, electrical, warehousing, and instrumentation. Further apprenticeships are offered by our contractor partners in parts, welding, mechanics, and heavy duty technicians. In 2016, the Ekati mine employed 61 apprentices, either directly or through contractors.
- In 2016, we offered 14 **summer student positions** to give young people hands-on experience in different departments across the company. Our preferential hiring policy means that summer students are often northern or northern Aboriginal people. Many return for two or more summers, allowing them to expand and apply their skill sets while deepening their understanding of the diamond mining business.
- The **Mine Training Society (MTS)** is an independent training organization that evaluates, trains, mentors, and places northerners in mining and mining-related jobs. Through partners like Dominion and the Government of the Northwest Territories, the MTS has provided almost 2,000 individual northerners with training or career counselling. Additionally, it has facilitated employment to over 1,200 individuals, representing 5% of the employed labour force in the Northwest Territories.

Skill Level of Northern Employees at the Ekati Mine



- Management/professional – 13%
- Skilled – 37%
- Semi-skilled – 42%
- Entry level – 8%

## Women in Mining



Dominion promotes a strong and diverse workforce by actively developing high-potential female employees for positions in all areas of the company's operations. Through our partnership with the Mine Training Society, we also recruit women in roles that have traditionally been male-dominated. At the Ekati mine, over 16% of the workforce in 2016 were women. Of this number, 69% were employed in non-traditional roles, such as apprentice carpenters, crane operators, machinists, millwrights, plumbers, and technicians.

During the year, we hosted a Women in Mining strategy session in response to a measure in the Report on the Environmental Assessment for the Jay Project related to supporting increased opportunities for women. Participants included representatives from the Government of the Northwest Territories, the Mine Training Society, the Native Women's Association of the NWT, the Status of Women Council, Pauktuutit, and the community at large.

We also supported the Women Who Rock initiative, which encourages women, particularly female students, to become involved in the mining industry. Dominion's Chief Financial Officer, Matt Quinlan, participated in the Auction for Action as a mentor, providing advice to a female student interested in mining. Proceeds from the event supported the Mining Matters organization through the Prospectors & Developers Association of Canada (PDAC), which brings knowledge and awareness about Canada's geology and mineral resources to students, educators, and the general public.

# HEALTH AND SAFETY

For Dominion, safety is not only a priority, it is a core value. While priorities change, values are ingrained and constant. A goal of Zero Harm drives our health and safety culture.

At the Ekati mine, we use an integrated health, safety, and environment management system (HSEMS) to meet our goals and requirements under ISO 14001 and OHSAS 18001. The HSEMS is a series of management processes that provide a framework for ensuring that tasks are performed consistently, correctly, and effectively to drive continuous improvement in health, safety, and environmental performance.

In India, we have a Health and Safety Committee that meets regularly to review and monitor work standards.

## Safety

One of the ways we measure safety performance is through the All Injury Frequency Rate (AIFR), which includes lost-time injuries, restricted work duties, and medical treatment cases.

In 2016, the Ekati mine achieved an AIFR of 0.77, a significant improvement over the previous year's AIFR of 1.06. We are extremely proud of this achievement, which could not have happened without the commitment of all employees and contractors to improve their own safety and that of their co-workers. In recognition, all employees and contractors working at least three months of full-time service were given a safety award.

A catalyst for improvement was the behavioural-based Zero Incident Process (ZIP) program. Virtually all permanent and contract employees have participated in ZIP training and, in 2016, we rolled out in-depth training for leaders, which focuses on safety leadership principles and building a safety culture.

One of our priorities for the year was to increase reporting of near misses and hazards – these are situations that did not result in injury or illness, but had the potential to do so. This exercise compelled people to look further into their work habits and workplace hazards, and make necessary changes. Collecting this type of information helps create a culture that seeks to identify and control safety hazards, which in turn reduces risks and the potential for harm.

## Occupational Health

At the Ekati mine, physician assistants provide a full range of medical services for employees' occupational health and personal health issues.

Because the mine is an industrial workplace, we also monitor workers who may be exposed to occupational health hazards as a function of their regular duties for long-term health risks. Monitoring programs focus on diesel particulate, silica, welding fumes, and noise levels. Medical surveillance programs include annual pulmonary (lung) and audiometric (hearing) testing.

All individuals working at the mine for two weeks or more must first undergo a full medical review and meet certain requirements to ensure that they are fit for remote work. In many cases, these reviews identify conditions, such as diabetes, which need medical attention. We then direct the individuals to health resources for support.

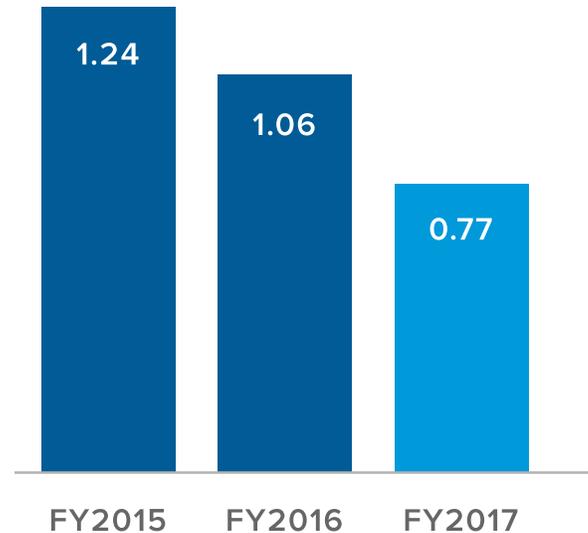
## Health and Wellness

The Working on Wellness (WoW) program is a collaboration between Dominion's Health and Safety department and the Government of the Northwest Territories' Department of Health and Social Services. The program aims to reduce preventable cancers and other chronic diseases through comprehensive workplace education and wellness activities.

We have implemented the WoW program at the Ekati mine, which has its own kitchen facilities. With employees working and staying at the mine for two weeks at a time, WoW can help instill healthy behaviours. It includes modules on screening and prevention, physical activity, healthy eating, sun and heat safety, tobacco reduction/cessation, and sleep. The results of the program have been highly positive:

- About 180 employees participated in two separate walking challenges
- 83 employees participated in a Biggest Loser challenge focused on losing weight
- About 180 employees attended blood pressure clinics, where they had their blood pressure checked and learned about managing blood pressure through physical activity and healthy eating
- 93% of employees would recommend WoW to a colleague or friend
- 72% of employees reported that WoW had influenced them to make healthier choices
- 64% of all employees participated in at least one of the workplace wellness activities

Ekati Mine All Injury Frequency Rate



## Emergency Preparedness

Given the risks associated with mining, we have robust emergency response and crisis management capabilities. The Emergency Response Team (ERT) at the Ekati mine is a dedicated team of 82 volunteer employees who are professionally and competently trained to protect our workforce during emergencies. Each new member completes an intensive five-day program that includes theoretical and practical testing of emergency response and mine rescue techniques. Training time is crucial for the competency of our ERT members. The Workers' Safety and Compensation Commission (WSCC) requires a minimum of 48 hours of ERT training per year; at Dominion, our policy is a minimum of 72 hours.

Our preparedness was put to the test with the fire at the Ekati process plant in June 2016. Right after the fire broke out, the Ekati and Misery ERTs were called to the scene. We also requested mutual aid from the Diavik mine ERT, which was flown in by helicopter. The merged teams, who are trained to the same standard and using the same equipment, worked together to fight the fire for 10 hours. Thanks to their efforts, the fire was contained and no injuries occurred.

## Safe Day Everyday Gold Award



In January 2017, Dominion was presented the Safe Day Everyday Gold Award from the Association for Mineral Exploration (AME) and Prospectors & Developers Association of Canada (PDAC) for the second consecutive year.

The award recognized the company for the highest number of hours worked without a lost-time incident in 2015. During the exploration phase at the Jay Project and Sable Project, a total of 468,000 hours were accumulated

by employees with Dominion and seven contract companies – Major Drilling, Foraco Canada, Golder Associates, Aurora Geosciences, Nuna Logistics, Advanced Medical Systems, Ross Industries, and McCaw North. Access to the two exploration areas was enabled through the construction of winter ice roads by Dominion crews at the Sable Project and Nuna Logistics crews at the Jay Project.

In receiving the award, Dominion's CEO, Brendan Bell, acknowledged that it was through the dedication and commitment to safety of both the Ekati mine team and our contracting companies that we earned this achievement.

# THE ENVIRONMENT

Zero Harm is a goal that applies equally to our workplace and to our natural environment. We understand the importance of the Arctic tundra environment and, through careful planning and consultation with our stakeholders, seek to preserve it today and for generations to come.

The Ekati mine operates under several environmental permits and agreements guided by different regulatory bodies:

- Type A Water Licence issued by the Wek'èezhìi Land and Water Board
- Environmental Agreement between the Government of Canada, the Government of the Northwest Territories, and the company
- Five Fisheries Authorizations issued by Fisheries and Oceans Canada
- 282 mining leases, 10 surface leases, and eight Type A Land Use Permits

To fulfill the terms of these environmental responsibilities, many environmental monitoring programs are conducted every year. Monitoring programs in 2016 included: air quality monitoring, aquatic effects monitoring, reclamation monitoring, Pigeon Stream Diversion monitoring, wildlife effects monitoring, as well as a surveillance network program and a waste rock and waste rock storage area seepage survey.

The company employs a full-time Advisor for Traditional Knowledge to liaise with Aboriginal communities, seeking meaningful engagement with Elders and youth around mine site operations and programs like the Wildlife Effects Monitoring Program and the Community Engagement Program. Both programs were designed to provide hands-on experience with the mine's environmental monitoring programs. Elders, youth, and land users also actively participate in wildlife observations, behavioural scans, and site surveys, and provide valuable input on environmental programs.

As part of its commitment to the environment, the Diavik mine is a signatory to an environmental agreement with local Aboriginal groups and the federal and territorial governments.

# Performance Highlights

**21,695 caribou** were observed in the area near the Ekati mine, among the highest recorded since observations began in 2006.

The Ekati mine saved **1.4 million litres** of diesel through energy reduction programs.

The Ekati mine footprint takes up only **2.2%** of the total area covered under the mine's land leases.

Dominion won the 2017 **TSM Environmental Excellence Award** for Transforming Waste Management in Canada's North for our 2016 performance.



Almost 98% of water used at the Ekati mine is recycled from the Long Lake Containment Facility.

# BIODIVERSITY IMPACTS

By the very nature of our business, we depend on the natural environment, and we must do what we can to protect it.

## Land Impacts

Approximately 126 hectares of additional habitat was accessed at the Ekati mine in 2016 due to mine development activities, such as the Sable Road construction, Jay crusher pad expansion, and expansion of the Lynx and Pigeon pits.

The mine footprint now stands at 3,526 hectares, or 2.22% of the total area covered under the land leases for the mine.

## Wildlife Management

Dominion conducts a variety of wildlife management activities where actual or possible interactions may pose a safety risk to animals or humans. For example:

- Traffic mitigation efforts are aimed at reducing the occurrence and disturbance of vehicle or air traffic on wildlife. Foxes, hares, ground squirrels, and ptarmigan are most commonly affected, as was the case in 2016, with ten vehicle-related wildlife fatalities occurring around the mine site. There have not been any caribou fatalities from interactions with traffic at the Ekati mine. We post speed limits, communicate road closures site-wide, educate staff about wildlife safety, and ensure that wildlife is always given the right-of-way. Based on Traditional Knowledge (TK) that was shared by the communities, inokhoks or inukshuks (traditional rock structures that mimic the figure of a human) are also used to deter wildlife from approaching high traffic areas. The safety of caribou herds is ensured through visual monitoring, temporary road closures, site-wide notifications, and wildlife signage.
- Waste from the mine site is carefully managed to keep materials that might attract or harm wildlife out of landfills. Proper disposal of waste is an ongoing challenge that the mine takes seriously. Inspections are regularly performed on waste bins and the landfill to ensure that waste is being disposed of correctly. Regular employee education sessions are conducted to stress the dangers posed to wildlife and mine personnel from improperly disposed waste. Our waste management practices earned us a [TSM Environmental Excellence Award](#).

## Wildlife Monitoring

Our Wildlife Effects Monitoring Program (WEMP) focuses on animals that are considered to be particularly important or have special conservation status. The program looks at the effects mining activities can have on the health of these animals and helps scientists determine how best to minimize these impacts.

We track sightings of caribou, grizzly bears, wolves, foxes, wolverines, and nesting birds, and report our findings in the WEMP report and the [Ekati Diamond Mine Environmental Agreement and Water Licence Annual Report](#) posted on the Wek'èezhìi Land and Water Board website.

Caribou are the most abundant and wide-ranging large mammals in the Arctic and are an important food source for the Dene and Inuit people. Caribou herds generally pass through the Ekati mine area twice a year. An estimated 21,695 caribou were counted in the area in 2016, among the highest recorded since observations began in 2006.

There were incidental sightings of six individual moose. Observations of moose at the Ekati mine have become more common in recent years, with 32 sightings from 2013 to 2016. The increase has prompted us to review moose movements and occurrences near the mine.

## Sable Lake and Two Rock Lake Fish Salvage



As one of the steps in the development of the Sable project, we conducted a fish salvage of Sable Lake and Two Rock Lake during the summer of 2016.

The project could not have been completed without help from community crews from Kugluktuk, Behchokq, Łutsel K'e, Dettah, N'dilo, Yellowknife, Gamètì, and Fort Resolution.

Approximately 38 kilograms of fish were caught in Sable Lake, and 430 kilograms in Two Rock Lake. Species included lake trout, burbot, slimy sculpin, and round whitefish. The species, weight, length, and age of the fish were all recorded.

The communities of Dettah, N'dilo, Yellowknife (NSMA), Wekweètì, Whatì, Gamètì, Behchokq, Łutsel K'e, Fort Resolution, and Kugluktuk received a total of 320 kilograms of fish for consumption.

## Boots on the Ground Caribou Monitoring



Dominion is proud to support the Boots on the Ground program, which is an indigenous-driven environmental monitoring program. According to the organizers, “the program is based on the Traditional Knowledge (TK) of Elders and harvesters, and relies on their ways of travelling the land and assessing the conditions on the land, instead of scientific methods of monitoring.”

The program’s purpose is to monitor current conditions of the Bathurst caribou herd, its habitat, and the cumulative impacts on the herd from natural factors and human activity.

The initiative was led by the Tłıchǝ, and the group included a monitor from Kugluktuk, incorporating both Inuit and Tłıchǝ knowledge.

The program runs four to six weeks during July and August. The monitors use boats to access the areas where the caribou are. Two teams of four people then monitor the caribou on foot, hiking between five and 15 kilometres a day, and then returning to base camp in the evening.

The organizers explain: “From the pilot season, conducted at Contwoyto Lake this summer, we developed a ‘do as hunters do’ methodology and TK framework based on the Elders’ indicators of a healthy environment.

“The coming years of the project will elaborate this methodology to develop a long-term TK monitoring program.”

# WATER STEWARDSHIP

Since one-third of the Ekati mine claim block is covered with water, water quality is an especially important part of the overall environmental monitoring program at the mine.

The amount of water that we can take from lakes and streams for road watering (for dust reduction) and to use in the accommodation areas is set out in the mine's water licence, which is issued by the Wek'èezhii Land and Water Board. The water licence also controls the quality of the processed water the company can return into the environment. The vast majority of water used at the mine (around 98%) is recycled from the Long Lake Containment Facility.

According to the current water licence, the Ekati mine must have two programs to monitor the quality of the water released from the Long Lake Containment Facility or King Pond Settling Facility into the downstream lakes: the Surveillance Network Program and the Aquatic Effects Monitoring Program. Runoff from the waste rock storage piles also requires monitoring. Monitoring of the receiving environment as a result of the Pigeon development was also required with the completion of the Pigeon Stream Diversion Channel (PSDC) and initiation of Pigeon pit development.

The **Surveillance Network Program** monitors the quality of water used for mining activities that is eventually released back into the environment. Scientists collect water samples from 22 sites identified in the water licence. If water from two discharge points does not meet the guidelines established by the water licence, it cannot be released into downstream lakes or used for road watering.

The **Aquatic Effects Monitoring Program** looks for changes in the aquatic environment downstream from the mine, such as slight increases in the levels of salts and metals, which could affect water quality or aquatic life. The program serves as an early warning system and allows us to address water quality changes before they become large enough to have a negative effect. This past year's results are published in the [2016 Aquatic Effects Monitoring Program Summary Report](#) posted on the Wek'èezhii Land and Water Board website.

Carefully designed water quality management plans and monitoring programs are in place to identify changes to water quality after interacting with the rock piles, enabling the company to implement adaptive management.

Waste rock storage areas contain both waste rock and coarse kimberlite from the processing plant. Without a carefully designed management plan and monitoring programs, runoff may enter the environment through waste rock seepage. During 2016, scientists collected 41 samples from various areas. This was the first year the waste rock seepage survey was designed and conducted by Dominion personnel. Analyses of these samples indicated that waste rock seepage was not having a negative effect on the environment.

# ENERGY MANAGEMENT

We recognize the impact of climate change on the northern landscape and believe in doing our part to protect the environment and be a responsible partner with the communities. Our efforts are focused on reducing our greenhouse gas (GHG) emissions and improving our energy efficiency.

The Ekati mine has developed a formal energy management system that includes a steering committee, efficiency projects, an awareness campaign, and energy use tracking and reporting. The system is structured on the recommendations of Natural Resources Canada, which is also helping us develop a new energy management information system.

The Energy Management Steering Committee has representatives from the environment, maintenance, infrastructure, business improvement, electrical services, facilities, and process departments. Its goal is to ensure that effective and efficient energy use remains part of the way Dominion does business. Each department is expected to identify at least one energy efficiency project in its area, working towards a collective goal of reducing GHG emissions by at least 2,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) in fiscal 2018.

The committee meets regularly to assess the progress of energy efficiency projects and review the energy conservation ideas submitted by our workforce. There is a dedicated intranet page for the energy management system, which can be accessed by all employees to track energy savings progress.

In 2016, we far exceeded our target of reducing GHG emissions by at least 500 tonnes – achieving a 3,787-tonne reduction through energy efficiency projects that reduced diesel usage by 1.4 million litres and saved CDN \$1.6 million. There were four main contributors to this performance:

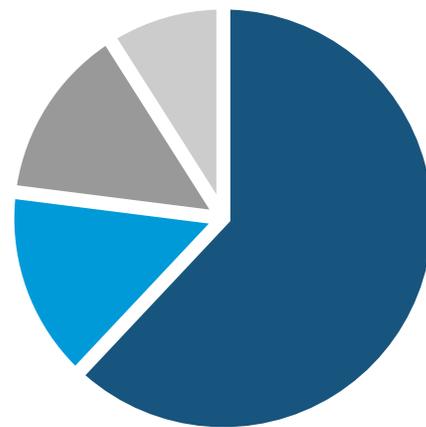
- **Panda mine ventilation** – By reducing the speed of the fan feeding fresh air into the Panda underground mine in the winter months, in line with mining activity, we save approximately one million litres of diesel fuel annually. The fan is operated by a variable frequency drive and because air flow in Panda is higher in winter and lower in summer, the fan speed can be safely reduced to deliver energy and cost savings.
- **Truck efficiency** – We introduced road trains, which involve multiple trailers carrying ore pulled by a combination of a road haulage tractor and a powered trailer, thereby improving efficiency and reducing emissions.

- **Powerhouse heat recovery optimization** – After completing an environmental assessment, temporary cooling spray bars were installed at the powerhouse generator during summer months, when higher ambient temperatures caused by extended daylight hours prevented normal generator cooling in the evening. The use of a water spray eliminates the need to run an additional generator for cooling purposes, leading to significant energy savings.
- **Main camp LED project** – Approximately 4,000 fluorescent lighting tubes were replaced with LED lighting in the main camp. The replacement tubes provide the same or better lighting while using less energy and lasting longer. Energy savings from the project reduce diesel fuel consumption by 165,932 litres per year.

Dominion paid 40% of the initial and ongoing maintenance costs of the wind farm at the Diavik mine, of which we are a 40% owner. Since its commissioning in October 2012 through to December 2016, the wind farm has produced 73.6 gigawatt hours of energy, and has offset 18.2 million litres of diesel and 50,801 tonnes of CO<sub>2</sub>e.

In 2016, we conducted an alternate energy concept study for the Ekati mine and Jay Project. Of the various options, wind and off-grid solar were the most promising, and we will be investigating them further.

**Contribution to Energy Savings at the Ekati Mine**



- Panda mine ventilation – 62%
- Truck efficiency – 15%
- Powerhouse heat recovery optimization – 14%
- Main camp LED project – 9%

## Composting Unit Is an Energy Saver



By diverting waste volume from incinerators, the Ekati mine's composting unit has the capacity to reduce site diesel consumption by approximately 100,000 litres every year and prevent up to 280 tonnes of GHG emissions. We estimate that from commissioning in October 2015 through to the end of 2016, we saved about 74,000 litres of diesel and 210 tonnes of CO<sub>2</sub>e, despite the fact that the unit was out of

commission for about five months due to necessary repair work that was delayed by the process plant fire. The unit is now running smoothly and annual totals are expected to rise significantly.

# AIR QUALITY

Scientists regularly test air quality to determine if mining activities at the Ekati mine, such as blasting, construction, and operating diesel generators and vehicles, are affecting air quality.

We monitor air quality annually and issue an [Air Quality Monitoring Report](#) every three years, which is posted on the Wek'èezhii Land and Water Board website. The report discusses various aspects of air quality, as well as the results of snow and lichen monitoring. The next report will be published in 2018.

## Dust Management

As a result of concerns that dust migration could affect vegetation and wildlife, we were asked by community groups, as well as the Independent Environmental Monitoring Agency, to continue studying ways to improve the effectiveness of dust suppression at the Ekati mine. Additionally, the Jay Project Environmental Assessment (EA) includes a measure for the Jay Project to “be designed and operated in a manner that reduces impacts to caribou, particularly from roads and dust.” Through the Jay Project EA process, Dominion committed to the ongoing evaluation and improvement of dust suppression at the Ekati mine.

The current dust management practice at the mine primarily includes the use of DL-10 (an asphalt emulsion) and road watering, both of which present various challenges. In 2015, Dominion received authorization from the Government of the Northwest Territories (GNWT) Lands Inspector to conduct a small-scale pilot study using an alternate dust suppressant called EnviroKleen®, a product that is readily biodegradable in natural environments and non-toxic to humans, animals, plant life, and fish and aquatic systems. In other studies, EnviroKleen has proven to work in harsh conditions.

Since receiving permission, we increased the use of EnviroKleen from one kilometre of road in 2015 to nearly 10 kilometres in 2016. Results of the 2016 study indicated a decrease in dust throughout the summer following the application of EnviroKleen, suggesting that it is in fact a durable and long-lasting alternative to DL-10. Going forward, we plan to use EnviroKleen on the Misery haul road.

## Incinerator Stack Emissions Testing

Another commitment under the Jay Project Environmental Assessment is for Dominion to conduct incinerator stack testing at least every three years and submit test results to the GNWT and Environment Canada. Stack testing, which was conducted in November 2016, confirmed that the two incinerators continue to operate well below the Canada-wide standards for dioxins, furans, and mercury.

# WASTE MANAGEMENT

The Ekati mine has a waste management plan to reduce, reuse, recycle, and responsibly dispose of the waste it generates.

In 2016, more than 2.9 million tonnes of kimberlite ore were processed in the process plant and more than 19 million tonnes of waste rock (mined rock that does not have economic value) were deposited into waste rock storage areas. Coarse processed kimberlite material was used as landfill cover, while fine processed kimberlite, mine sump water, treated sewage, and process plant effluent were deposited into the Long Lake Containment Facility. Fine processed kimberlite was deposited into the Beartooth pit.

Most water used at the Ekati mine is sent to one of two containment facilities – these are lakes that hold water used in mine activities until the suspended solids can settle and the clean water can be released back into the environment. The majority of mine water goes into the Long Lake Containment Facility. Water from that facility is then discharged into Leslie Lake. Mine water is also deposited into the King Pond Settling Facility and sometimes used to suppress road dust. Prior to discharge, water quality must meet the criteria set in the water licence.

Hazardous waste, such as oily rags, aerosol cans, waste grease, oil, and fuel filters, is collected and sent off-site where it is combined with similar waste from other facilities for proper disposal.

In addition, our new composting unit allowed for 86,417 kilograms of wet and dry biodegradable material to be composted rather than incinerated. Read [Transforming Waste Management in Canada's North](#) to learn more.

Our goal is to compost all organic waste at Ekati. In 2016, we started a study to evaluate the use of site-generated compost in reclamation work to add nutrients to tailings and promote vegetation growth.

## Transforming Waste Management in Canada's North



**Dominion was awarded the 2017 TSM Excellence Awards in the environment category for our waste management practices at the Ekati mine.**

When we bought the Ekati mine in 2013, we saw an immediate opportunity to improve its sustainability practices in the area of waste management. We began by purchasing environmentally friendly products, such as corn-oil based garbage bags, sugarcane take-out containers, wooden stir sticks, and compostable disposable utensils to reduce the amount of chlorine-rich plastics in the waste incinerator.

We then restricted incineration input to paper and organic waste. Hazardous waste and recyclables are removed from the mine site by supply plane or winter road, depending on the season. To support staff in the transition to the new processes, we conducted an awareness campaign on waste management and segregation.

By introducing biodegradable products to the Ekati mine and restricting incineration to paper and organic waste, we have prevented nearly 59,000 kilograms of plastics and more than 145,000 kilograms of oily rags from being incinerated, thereby reducing harmful emissions into the environment. Recent testing on our two incinerators has confirmed that releases of dioxins and furans are well below the Canada-wide standard.

Further improvements were made in 2015 when we installed an in-vessel composter – making Ekati the first mine in Canada's North to do so. Now, roughly half of the organic waste generated at the Ekati mine, such as food waste and paper products, is composted. We estimate that from commissioning in October 2015 through to the end of 2016, we have saved about 74,000 litres of diesel and 210 tonnes of CO<sub>2</sub>e.

The composter project has generated positive feedback from local Aboriginal communities, government, and community groups. It has also sparked interest from other northern mining operations looking for innovative ways to reduce emissions and protect the environment.

# RECLAMATION

Reclamation is an important part of our operations, even while we are still mining. We understand the importance of reclaiming mine sites so that they can be returned to a viable northern environment at the end of operations. The goal of reclamation is to keep the site safe for human and wildlife use.

Long-term reclamation plans are in place to prepare for the eventual closure of the Ekati mine. Our approach is to “clean up as we go,” which is referred to as progressive reclamation. We are committed to working with community groups on the planning of future reclamation projects at the mine site.

To meet our regulatory water licence reporting requirements, Dominion submits an annual closure and reclamation plan progress report to the Wek'èezhìi Land and Water Board, which is posted to its [website](#).

In 2016, we hosted several community members and stakeholders at our reclamation sites so they could observe the research and activities underway, and to facilitate informed discussions on future closure and reclamation planning initiatives. The main focus was on the Long Lake Containment Facility reclamation research area, where rocks and plant life have been arranged in a variety of patterns to determine which approach allows the best vegetation growth and erosion control.

We also participated in technical conferences and workshops to discuss new ideas for closure planning and research. Company representatives made presentations at the Northern Mines Closure and Reclamation Working Group session in September 2016 and the Designing for Northern Mine Closure workshop in November.

Our overall plan is to have numerous reclamation projects in place, such as contouring country rock piles to create safe access routes for caribou, creating new fish habitats, and conducting re-vegetation studies. In 2016, reclamation work at the Ekati mine was focused on ongoing vegetation research, topsoil salvage, and reclamation of the Koala underground workings.



On June 15, we welcomed board members and staff from the Independent Environmental Monitoring Agency (IEMA) for a tour of the Ekati mine site. IEMA is an impartial, independent, and knowledgeable third party that monitors the environmental management of the mine.