

DIAVIK
DIAMOND MINE

dialogue

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Welcome

Welcome to *dialogue*, our quarterly newsletter.

These past months have been extremely busy ones at Diavik. Alongside our continued focus on safely producing a quality product, a new phase of construction work is well underway.

It goes without saying that operating a remote diamond mine and coordinating a large construction project concurrently has its challenges. However, I am pleased with our results to date.

Diamond production remains strong as does our focus on safety and environmental protection and on our northern commitments.

Our construction crews have virtually completed the new A418 dike's rock embankment all the while protecting the waters of Lac de Gras. There is much work to be done to complete A418 but, to date, work is progressing as planned.

Our underground feasibility study teams are advancing the underground access to the three kimberlites. These crews are also advancing another underground decline to the A21 pipe to remove a bulk sample, which will better define that resource.

I would like to thank each member of the Diavik team for their continued efforts to make Diavik Canada's premier diamond mine.

To learn more about our work, I invite you to review the stories in this edition of *dialogue*, or visit our web site at www.diavik.ca.

Mark Anderson
President

Milestone at A418 Dike

In October, Diavik construction crews marked a milestone by closing the A418 dike.

Completion of this dike, extending 1.3 kilometres from Diavik's existing A154 dike to East Island, will eventually allow open-pit diamond mining of the A418 kimberlite pipe.

While closure marks a milestone, much work remains. More rockfill will be added along the inside of the dike. Next year, a central concrete cut-off wall and grouting will make the dike water tight.

Thermosyphons will be installed at four abutments to maintain permafrost and the dike will be instrumented to monitor performance.

Finally, fish will be removed, water will be pumped out, and pre-stripping and open-pit mining will begin. This is expected in 2007.

Dike preparation work included dredging weak lakebed sediments and placing crushed rock on the lakebed till below.

A large crusher facility prepared clean granite rock from the A154 pit for the new dike.

Total suspended solid levels during dike construction were well within water licence limits and fisheries authorizations, thanks in part to a plastic silt curtain placed in Lac de Gras to surround the construction area.



By mid-summer rock placement for Diavik's second dike was well advanced, right, and on October 15 (above) workers closed the remaining gap.



Underground Work Advances

Underground work during the third quarter included advancing two declines, or tunnels, to Diavik's kimberlite pipes to learn more for mining.

The larger underground mining feasibility study decline, opposite, which will intersect the A154 and A418 pipes, will provide valuable information on how to mine the three pipes. Work crews advanced this tunnel approximately 400 metres by quarter's end.

The underground feasibility studies are scheduled to be completed in 2007.

The smaller decline, opposite, to the A21 pipe will allow Diavik to mine a large sample and analyze its value in hopes that it will be valuable enough to mine. Workers advanced this tunnel 20 metres by quarter's end.

Both declines are being constructed by Kitikmeot Cementation Mining and Development, a joint venture of the Kitikmeot Development Corporation and Cementation Canada.

In other development during the third quarter, construction of Diavik's fourth 18 million litre fuel storage tank was well advanced.

Operations Update

The Diavik Diamond Mine produced approximately 2.2 million carats of diamonds during the quarter ended September 30, bringing year-to-date production to approximately 6.4 million carats.

While the process plant continued to operate at better than design capacity, diamond production was lower than the previous quarter.

Pit geometry and mine sequencing dictated the mining and processing of a higher proportion of lower grade ore from the A154 North ore body and lesser tonnes of higher grade ore from the adjacent

A154 South pipe.

During the third quarter, Diavik's operations workforce averaged 749, of which 527, or 70 per cent, were northern. Approximately half (257) of the northern workforce was Aboriginal.

On safety, there were seven lost time injuries and three medical treatment cases during the quarter. Year to date, Diavik's all injury frequency rate is 1.50. Diavik's all injury frequency rate target for 2005 is 0.96. The rate is calculated by multiplying incidents by 200,000 hours divided by hours worked.

Water Licence Renewal Submitted

In August, Diavik submitted its water licence renewal application to the Mackenzie Valley Land and Water Board. Diavik's existing seven year licence expires in August 2007.

The objective in applying two years before the existing licence expires, is to have a renewed licence in place by January 2007 when the mine's investors (Rio Tinto and Aber) are expected to consider investment in underground mining. This decision will involve a significant long-term commitment by the mine's investors.

In the application, Diavik is seeking a 15 year licence.

Diavik believes this time frame is appropriate based on its mine plan and operational performance.

Diavik is not requesting any change in terms or conditions for the new licence, except for the time period.

The application was distributed September 8, 2005, to interested parties by the Mackenzie Valley Land and Water Board for comment, prior to a scheduled hearing in March 2006.

Want to Learn More?

For more information about the Diavik Diamond Mine, please visit our web site at www.diavik.ca. Information may also be obtained from the Diavik Diamond Mines Inc. head office in Yellowknife, where you can also visit our **Diavik Visitors' Centre**, open Monday through Friday from 8:00 a.m. to 5:00 p.m.

Aboriginal Trainees Learn Processing

As part of its ongoing commitment to training northerners, Diavik is sponsoring a new process plant operator trainee course.

Participants, all of whom are northern Aboriginal, have completed ten weeks of training at Aurora College's Thebacha Campus in Fort Smith and have commenced seven weeks of training at the Diavik Diamond Mine.

The program, lasting six months, is expected to be complete in December.



Diavik's process plant trainee course commenced with classroom study at Aurora College in Fort Smith. The site-based training component is due to be completed later this year.

Process plant operators monitor equipment and processing circuits used to separate diamonds from ore.

The goal of this pre-employment training program is to develop qualified workers for entry-level positions at mineral processing plants in the diamond mining industry.

Funded under the federal Aboriginal Skills and Employment Partnership program, course partners include the North Slave Metis Alliance, NWT Mine Training Society, Government of the Northwest Territories, the North's Aurora College, the Northern Alberta Institute of Technology, and Diavik.

As well as process plant operator training, Diavik's commitment to apprenticeships continues. At September 30, there were 15 apprentices at the mine site working for Diavik and its contractors. All of Diavik's apprentices are northern and two-thirds are northern Aboriginal. There will be four additional heavy duty mechanic apprenticeships by year end.

As well, Diavik and partners are in the early planning stages of an underground miner training program and an administrative support training program, which will generate additional employment opportunities for northerners.

Learning Centre Wins Award

In September, the Conference Board of Canada selected Diavik as the recipient of its Award for Excellence in Workplace Literacy in the Large Business Initiative category.

Diavik's literacy program is "well planned, well executed, innovative, customized to employees' rotational work schedule, and one which successfully serves people in remote areas," according to the judges.

"Judges look for originality and innovation, and seek proven and sustainable programs. Diavik's submission clearly stated its goals and objectives, and provided evidence to support successful activities."

The awards, supported by National Literacy Secretariat, Department of Human Resources and Skills Development Canada, showcase workplace literacy programs which enhance employee reading, writing, and numeracy skills through in-house training, core competency evaluations and skills promotion. Diavik received the award for its work done at the mine site through the Workplace Learning Centre, where workplace educators support workers seeking to upgrade skills.

The Conference Board of Canada is a not-for-profit organization which publishes and disseminates research, helps people network, develops individual leadership skills and builds organizational capacity.



Workplace Educators Mark Akerman and Karen Carleton at the Diavik Workplace Learning Centre assist with work-related training, such as orientation for new hires, support for apprenticeship studies, and literacy.

Scientific Research Thriving

Working with Canadian universities and researchers, Diavik is currently participating in numerous scientific studies focused on the environment and geology at the mine site.

The studies, which also support students working on Masters' theses and doctorates, are supported by Diavik's environment and technical services departments through participation, in-kind contributions, and funding.

Results of these science projects will include published papers and presentations at the annual Geoscience Forum in Yellowknife and the 9th International Kimberlite Conference in 2007 in India.

Projects supported by the environment department include:

- effects of mine blasts on fish eggs
- country rock test piles to measure acid rock drainage
- test plots to evaluate potential plant species for reclamation
- dust distribution and monitoring using lichen as a bioindicator

"By supporting and participating in these science initiatives, we are adding to our data on how we

interact with the environment at the mine site. And the more data we have the better positioned we are to generate the best adaptive management and reclamation practices," said Environment Manager Scott Wytrychowski.

On the geology side, Diavik Technical Services is supporting four projects focusing on diamonds and xenoliths as well as a study of the volcanology of Canadian kimberlites.

"As each piece of ore is mined, there are new discoveries and new data that allow us to put more pieces of the geology puzzle together. The objective is to capture as much information on what are among the highest grade kimberlites in the world," said Chief Geologist Dave Eichenberg.

"These projects have and will continue to add value to our mine in areas like exploration, resource definition, mining and processing," he adds.

Participating with Diavik's Environment and Technical Services departments in these studies are the University of Alberta, University of British Columbia, University of Waterloo, University of Saskatchewan, International Network for Acid Prevention, and Natural Sciences and Engineering Research Council of Canada.

Strong Northern Benefits

Diavik continues to exceed its northern employment and northern spending commitments set out in the Socio-Economic Monitoring Agreement with the Government of the Northwest Territories.

Over the first six months of 2005, Diavik's workforce averaged a total of 725 employees, of which 71 per cent, or 516 people, were northern. Diavik committed to employ at least 66 per cent northern.

Of the northern workers, over half were northern Aboriginal.

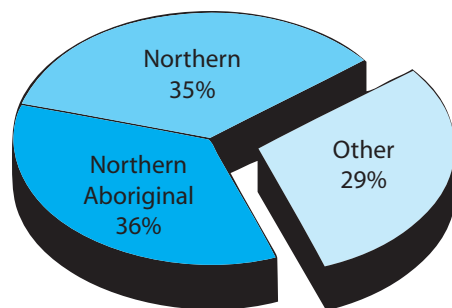
Of the 725, northern Aboriginal employment averaged 263, or 35 per cent. Although below the 40 per cent commitment, Diavik remains committed to raising the percentage to 40.

On total spending, which includes operations and capital projects (phase two of the mine construction), spending over the first six months exceeded the northern commitment of 70 per cent.

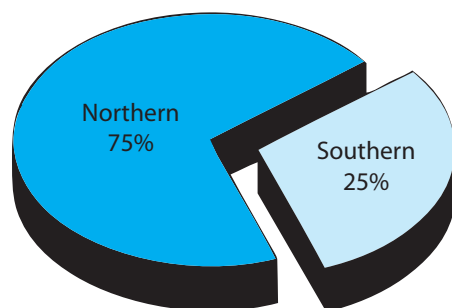
During the first six months of 2005, Diavik spent \$262 million for operations and for construction projects, which includes A418 dike construction and underground feasibility and bulk sampling work. Of the total, \$197 million, or 75 per cent, was with northern businesses. One-third of northern spending was with northern Aboriginal businesses or Aboriginal joint ventures.

Operations spending was \$152 million, of which \$127 million, or 83 per cent, was northern. Capital

Employment



Total Spending



spending was \$110 million, of which \$70 million, or 64 per cent, was northern.

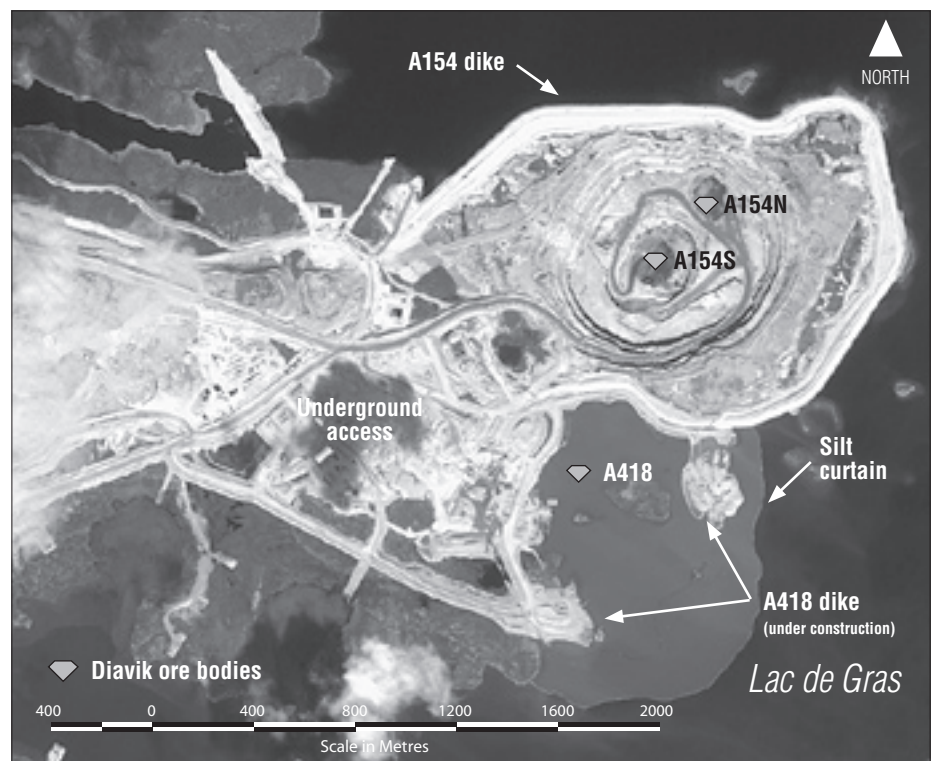
Due to the need to move supplies to the mine site over the seasonal winter road, much of Diavik's spending occurs during the first half of the year.

Further details on employment and business spending are included in Diavik's socio-economic monitoring reports, available on Diavik's web site at www.diavik.ca.

Diavik at a Glance

The Diavik Diamond Mine is located 300 kilometres northeast of Yellowknife, NT. It consists of three diamond-bearing deposits, called kimberlite pipes, located just offshore of a 20-square-kilometre island, under the waters of Lac de Gras. To mine these underwater ore bodies, Diavik is building water diversion structures, called dikes, out from the island, surrounding the pipes. The first dike was completed in 2002. Construction of the second dike began in spring 2005.

- Construction completed – January 2003
- Project capital cost – C \$1.3 billion
- Estimated diluted mineable reserves – 29.8 million tonnes at 3.2 carats per tonne
- Three ore bodies called A154 South, A154 North, and A418
- Annual ore production – approximately two million tonnes
- Annual diamond production – approximately eight million carats
- Mine life – 16 to 22 years
- Operations workforce – approximately 725



Satellite image, taken August 1, 2005, of part of the Diavik Diamond Mine.