

DIAVIK
DIAMOND MINES INC.

dialogue

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Farewell

This will be my final letter in dialogue after four years as President.

As we enter 2003, we are beginning to see the tangible results of our efforts and commitments to sustainable development in the North. In this issue, articles describe the contributions the Diavik Diamonds Project is making towards improving social well-being through northern business development training, and long-term education goals. Construction is now nearly complete and our efforts to sustain ecological integrity have been successful during this period.

An important contributor to these outcomes has been our collective commitment to safe working practice. Everyone associated with Diavik can be justifiably proud of our achieving one million hours of injury free work during 2002 and of the excellent safety record achieved throughout all phases of the project to date.

We started commissioning the Diavik operation towards the end of 2002 and our first diamonds had been recovered by year-end. We are now embarking on the next phase of the Diavik project where the next challenge is to confirm the economic promise of our Diavik Project; a challenge that will be well met, I am certain, by the Diavik team under the leadership of your incoming President and Chief Operating Officer, Philip du Toit.

And so I offer my farewell, not only as a gesture of parting but also as a wish for every success in the future.

Stephen Prest,
President

Plant Commissioning Recovers First Diamonds

On November 23, the first kimberlite exposed during pre-stripping was trucked to the process plant from the A154 South diamond deposit. The kimberlite's arrival allowed staff to begin commissioning the new dense media separation and recovery circuits of the plant. Within a few days, the first diamonds were recovered, marking a milestone in the Diavik Diamonds Project, begun in the early 1990s as an exploration project in Canada's remote Northwest Territories.

The discovery of the Diavik Mine's four economic deposits – no small feat in itself – was followed by many years of engineering feasibility and environmental baseline studies, and comprehensive community consultations. These led to public approval of the project in 1999, followed by a rigorous permitting and licensing phase. With the creation of thousands of engineering drawings, construction at the remote site proceeded.

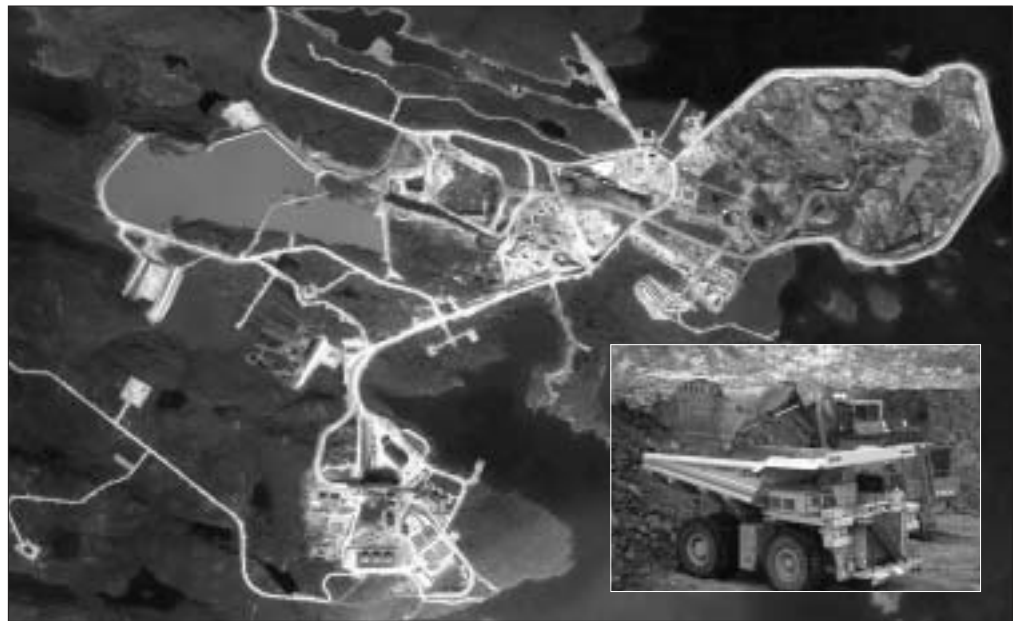
The project now enters the start-up phase, which will eventually see the mine processing 1.5 million tonnes of ore annually.

As increasing quantities of A154 South kimberlite become available, diamonds will be recovered and forwarded to the Diavik production splitting facility in Yellowknife for cleaning, division and royalty valuations.

If trends continue with respect to overburden removal, initial mining and commissioning of the processing facility, the first production of Diavik diamonds are expected to become available to the joint venture participants, Diavik Diamond Mines Inc. and Aber Diamond Corporation, in January 2003; a long and interesting

journey from claim staking in 1991.

At the A154 water diversion structure, construction of the drainage system along the interior was completed in late November. Water seepage through the dike has been well within design expectations. Work continues to progress on the accommodation core.



Diavik from the Ikonos satellite orbiting at 680 kilometres. This image shows the project in September with the A154 pool, top right, virtually dewatered, allowing pit preparations to begin. (inset) A Hitachi shovel loading a Komatsu haul truck during A154 mining pit prestripping.

Economic Prosperity – The Next Challenge

“When Diavik has realized its full economic potential, communities, governments, suppliers of goods and services, and project investors, will all benefit from wealth generation not only in terms of financial benefits but also increased human capacity for the future.”

In building Canada's premier diamond mining operation, Diavik now faces its next sustainable development challenge – confirming economic prosperity.

Sustainable development – meeting the needs of today's society without compromising the ability of future generations to meet their own development needs – also requires balancing improved social well-being and responsible use of the land (ecological integrity).

According to Diavik's outgoing President, Stephen Prest, “in building the mine, we have built a strong foundation that will support social well-being and ecological integrity throughout mining.

With mining now beginning, it's time to focus on confirming economic prosperity which is the next challenge for any successful project.”

Economic prosperity is key to sustainable development. Without it, future generations may not have sufficient financial and human resource capacity to pursue development to meet their own needs.

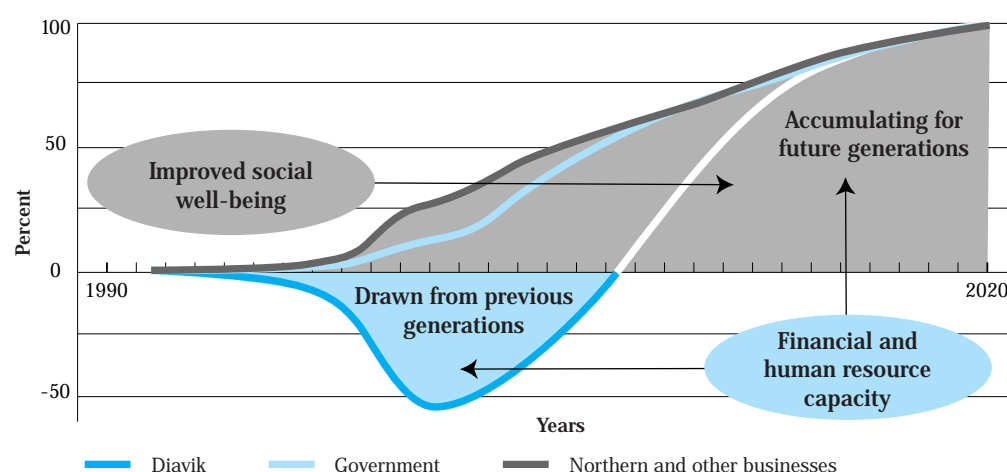
Prior to mining, Diavik's investors committed a huge amount of financial capital, almost \$1,500,000,000 (\$1.5 billion), drawn from financial and human resource capital built up from development in previous generations.

In the process of building the Diavik mine, Diavik has drawn on these capital resources to pay for northern training programs, jobs and contracts, creating new avenues of social well-being and economic prosperity for many northern residents and businesses. Governments have also received a substantial amount of wealth – some \$600 million – in taxes during the development of the Diavik mine; monies used to provide us with the standard of social and other services we enjoy in Canada.

For the Diavik project to achieve its full promise of economic prosperity, the business now has the task of operating profitably over its projected 20-year mine life. There is a responsibility for everyone involved in the project, to not only replenish the financial capital spent, but also sustain and improve human resources for future generations. For it is only by building financial and human resource capacity in the present, that future generations will be positioned to travel their own path towards sustainable development in the same way as our community Aboriginal elders have instilled in us the need to care for the land, water, wildlife, and environment for seven generations into the future.

Careful resource management over time, coupled with safe and cost effective operations, will tell how well the Diavik project fares in creating the full promise of sustainable development – including long-term social well-being, ecological integrity and economic prosperity – for individuals, communities, businesses, governments, and investors.

Towards a Sustainable Future – Sharing the Benefit



Diavik Supports New Aboriginal Company

As part of its commitment to working with northern companies for the operation of the Diavik Diamond Mine, Diavik Diamond Mines Inc. is supporting a new northern venture, a new company, I&D Management Services Ltd. (I&D), to supply equipment operators.

I&D, formed to meet the North's changing demand for management services, is 100 per cent Aboriginal owned by the Dogrib Nation Trust Co., Yellowknives Deton' Cho Corporation, Denesoline Corporation of Lutsel K'e, and the Kitikmeot Corporation.

I&D is providing approximately 100 employees, or about 20 per cent, of the Diavik Diamond Mine site workforce. I&D employees operate ore haul trucks, excavators, dozers, and other heavy equipment at the mine located 300 kilometres northeast of Yellowknife. An additional four employees are based at the company's Yellowknife offices.

"I&D, like Diavik, is committed to the North. We are looking forward to a strong partnership with Diavik

and other customers," said I&D President Alex Nitsiza. "Currently we are 75 per cent northern. One-half of our employees are Aboriginal," he added. Twenty-five per cent of I&D's employees have participated in Diavik training programs prior to employment with I&D.



I&D President Alex Nitsiza cuts a moosehide ribbon held by Diavik President Stephen Prest, I&D Director Al Henry, Dettah Chief Rick Edjericon, Tu Nedhe MLA Steven Nitah, and Yellowknives Dene First Nation Chief Darrell Beaulieu, from left, at the company's grand opening.

"From an employment and capacity building point of view, Diavik was interested in ways in which we could involve the various northern communities in our operations phase. I&D fits well with our sustainable development approach," said Stephen Prest, DDMI President.

Northern Benefits

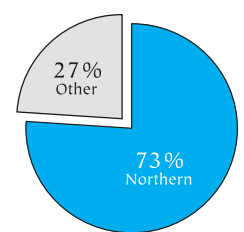
The Diavik Diamonds Project continues to offer training, employment, and business opportunities and benefits to the North, according to the latest Socio-Economic Monitoring Report reflecting project activity through June 2002.

By mid-2002, 119 northern residents participated in mine operations training. Some 44 northern residents took advantage of community-based training programs. There were 13 northerners in apprentice training. All qualified candidates who completed the process plant training at Aurora College in Fort Smith were offered positions at the mine site.

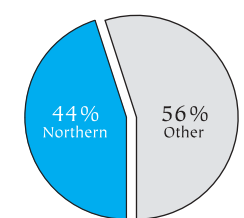
The construction of the Diavik Diamond Mine has provided 1,892 person years of employment to the end of June 2002. Northern residents provided 828 person years of employment. Northern employment of 44 per cent exceeded Diavik's 40 per cent commitment established prior to construction.

On business spending, of the \$1.1 billion in total construction contracts, Diavik committed \$779 million to northern and Aboriginal businesses. Diavik's contracts with northern businesses were 73 per cent of total expenditures and almost twice the 38 per cent target set by Diavik in the Socio-Economic Monitoring Agreement.

Spending



Employment



Environment Protected during Construction

Diavik has achieved an excellent environmental protection record during construction of the \$1.3 billion Diavik Diamond Mine.

Through comprehensive environmental management plans, careful monitoring and sound construction practices, Diavik employees and contractors met and sometimes even exceeded limits set in permits, licenses and authorizations. This was done despite the difficult challenges provided by the cold climate, and the remote Arctic location, on the shores of a pristine lake 300 kilometres northeast of Yellowknife.

Diavik safely transported over 8,000 truckloads of materials up the winter road, and housed and supported a construction workforce which peaked at over 1,100 workers. Diavik constructed site infrastructure including a massive process plant, boiler, water, and sewage treatment

plants, a maintenance/office building, and accommodation complex, as well as roads, containment ponds and dams.

Diavik also placed about four million tonnes of rock into Lac de Gras to build the A154 dike, while maintaining silt levels below limits. The project also treated and discharged approximately 2.5 billion litres of water and managed over 10 billion litres of water pumped from behind the A154 dike.

With solid environmental management and environmental considerations incorporated into construction, Diavik anticipates high environmental performance to continue during operations.

As promised in the comprehensive environmental assessment, the project will not generate any significant adverse environmental affects.

Over 1 Million Safe Hours

By year-end, Diavik's workforce had accumulated approximately 1.3 million hours without a lost-time injury (LTI) or a light-duty injury.

Hundreds of individuals with the Diavik team played a part in this accomplishment including many employees of contractors. Prior to the current milestone, Diavik's workforce celebrated the 1 million hour mark November 13, after 116 consecutive days without an LTI or light-duty injury.

In other safety news, Diavik's workforce exceeded its annual safety target of one-half the previous year's lost time injury frequency rate (LTIFR). Workers achieved a 2002 LTIFR of 0.38, exceeding the 0.5 LTIFR target. In 2002, Diavik's workforce accumulated almost 3.2 million hours with six LTIs.

Diavik Booklet Features Training

Diavik Diamond Mines Inc. is pleased to announce a new publication, Diavik's Training Partnerships, which focuses on the unique and innovative community-based training courses held in a variety of northern and Aboriginal communities during the construction phase of the Project.

"These courses raised self-confidence and created a strong sense of teamwork among participants, leading to a very high completion rate," said Diavik President Stephen Prest. "We are thankful for the strong support provided by our many partners, including communities, governments, businesses, and education agencies. Together, we have offered new employment opportunities to northerners."

Benefits from Diavik training partnerships include increased skill levels, improved community infrastructure, and new employment opportunities as trainees went on to gainful employment, both during

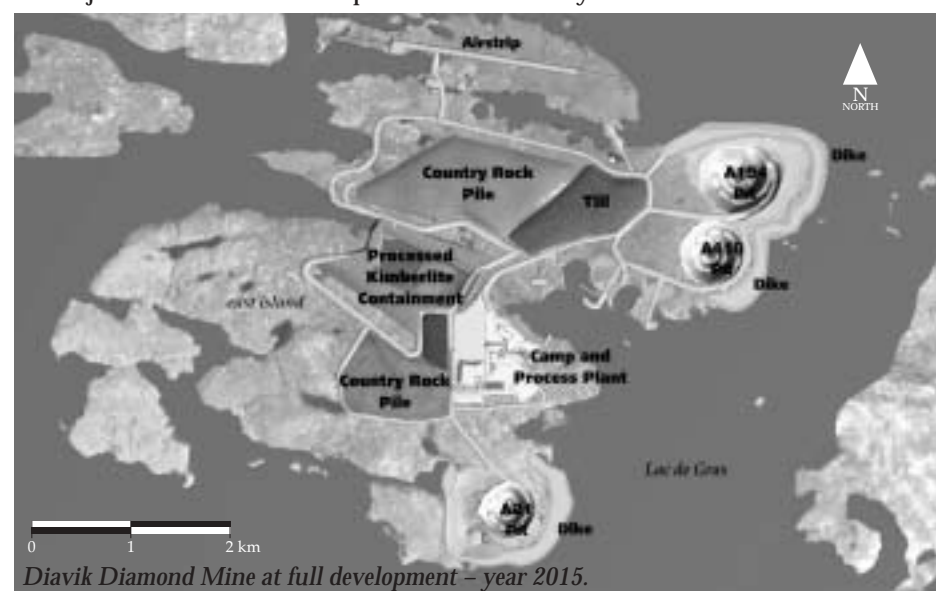


construction and now operations of the Diavik Diamond Mine. Diavik's Training Partnerships is available in hard copy from Diavik's corporate office in Yellowknife or can be viewed and downloaded from Diavik's web site, www.diavik.ca.

Diavik at a Glance

The Diavik Diamond Mine is located in the NWT, 300 kilometres northeast of Yellowknife. It consists of four 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 pipes, Diavik expects to build three water diversion structures, called dikes, out from the island, surrounding the pipes. The first dike was completed in 2002. With the water now removed from behind the dike, Diavik will begin open pit mining.

- Estimated diluted mineable reserves – 27.1 million tonnes at 3.9 carats/tonne from four ore bodies called A154S, A154N, A418, and A21
- Ore production – 1.5 million tonnes annually
- Annual diamond production – peaks at approximately 7 million carats
- Mine life – 20 years
- Project capital cost – C\$1.3 billion
- Total employment – approximately 500 workers
- Northern workforce – approximately 300 at start-up
- Annual mine purchasing – C\$100 million
- Projected start of diamond production – January 2003



Diavik Diamond Mine at full development – year 2015.

Want to Learn More?

For more information about the Diavik Diamonds Projects, 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.