

DIAVIK
DIAMOND MINES INC.

dialogue

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Diamond Production Mounts

Welcome

Welcome to another issue of *dialogue*, our quarterly newsletter.

I am pleased to report rough diamond production from the Diavik Diamond Mine is progressing well and we are on track to achieve our goal of 3.7 million carats this year. Costs are within budget and our commitments to the environment, northern communities, and the health and safety of our workers remains strong.

Mining and processing levels are excellent to date, and our entire Diavik team can take pride in their hard work and dedication.

In terms of product, I am pleased to report Diavik diamonds, sold through our sister company Rio Tinto Diamonds and by our joint venture partner Aber, are being well received by the marketplace and prices have been strong. In November, it was announced that our largest gem recovered to date – 151 carats – with two others, would be sold through a joint venture tender between Rio Tinto and Aber.

On exploration, we continue to direct significant resources toward this area. There are many targets on the claim block and we are in various stages of investigating their potential. The goal here is to add to the four economic pipes in the Diavik resource, so we can add to our mine life.

Strategically, we are developing continuous improvement processes to generate an efficient level of production and predictable high quality products for our customers. We remain committed to training, employment and business opportunities for the North.

Looking ahead, we will continue our efforts to become Canada's premier diamond mine, with our focus on balancing social well-being, environmental protection and economic prosperity.

Joe Carrabba,
President

Diavik continues to show itself as a world-class operation. In addition to being constructed ahead of schedule and under budget, the process plant is now operating at design throughput of 1.5 million tonnes per year about six months ahead of schedule.

In pre-stripping the A154 South ore body, we discovered an overlying transition zone that proved to be ore, providing some additional diamonds. In addition, diamond grades have increased as we have mined through this transition zone and will continue to do so as we get into the ore body proper.

The timing of Diavik production has been excellent and we are very pleased with the level of interest our customers have shown in the Diavik product. The diamond market has remained robust and the prices achieved have been significantly higher than original expectations.

A further major positive is the results of this past summer's bulk sample taken from the A154 North pipe, which has revealed the quality (and hence the price) of its diamonds as being higher than originally assumed.

The higher value of the ore in both A154 pipes means that there may be additional value to capture. As a result, Diavik has established a strategic planning team, separate from mine operations, to look at how best to capture this upside. We are studying our options for the timing for going underground at these pipes and for the construction of the A418 dike. This study work will be completed over the next 12 months.

We now believe that, in terms of value per tonne of ore, Diavik hosts the three most valuable kimberlites in the western world. Given the large size of the Diavik claim block, we are hopeful that it hosts more such attractive diamond pipes. To help us find them, we will be significantly increasing our exploration efforts (see story below).

As a result of the project's success and the robust marketplace, DDMI has made the decision to increase production to approximately 8 million carats in 2004. Given the successes to date, we expect that mine life will remain between 16 and

22 years, as we projected during our feasibility studies. And with additional discoveries, we may even further enhance this.



Diamond-bearing kimberlite ore from the plant's re crush circuit is conveyed to the secondary scrubbing circuit.

Contributing to the Northern Economy

Diavik continues to contribute significantly to the North's economy. As of October 30, the workforce was approximately 600, of which 73 per cent were northern, exceeding the company's 66 per cent commitment.

Aboriginal employment was approximately 220, exceeding project estimates of 180 due to an increase in workforce size.

While this is just under Diavik's goal, efforts are underway to bring Aboriginal employment to the 40 per cent commitment. Diavik is contracting out over one-third of its workforce to local firms, of which the majority are Aboriginal.

In terms of local spending, Diavik will continue to contribute to the North's economy through annual purchase of goods and services from northern companies and through employment.

As of November, Diavik had spent in excess of \$150 million with northern and Aboriginal businesses.

Large Stones Tendered

It was announced in November that three very large, gem-quality rough diamonds from the Diavik Diamond Mine will be sold on the open market.

The three stones, known as specials, are part of a joint venture tender by Rio Tinto plc and Aber Diamond Corporation.

Clients from the major diamond manufacturing centres in the world, including Belgium, India, Israel, and New York, as well as representatives of the manufacturing factories in Yellowknife, will have the opportunity to acquire the stones.

The stones were made available for viewing at Rio Tinto Diamonds N.V. in Antwerp and at Aber's Toronto office.

This tender represents the first time such large stones have been made available for sale within Canada, and marks a significant milestone in the development of the Canadian diamond industry. Rio Tinto and Aber hosted Bob Nault, federal Department of Indian Affairs and Northern Development minister, to view the stones.



Diavik's largest gem-quality rough diamond weighing 151 carats. This stone, and two others, were offered for sale.

The three diamonds weigh 151, 150 and 80 carats. Their collective estimated value is estimated at over \$1.3 million.

Enhancing the Resources

Diavik is committed to sustaining its mining operations in the North.

To this end, Diavik is working to add to its reserves – that rock which is economic to mine.

This is being done in two ways: finding opportunities to strengthen reserves in the existing kimberlite pipes and discovering new ore bodies.

The A154N pipe presents some exciting new opportunities. Earlier this year, Diavik bulk sampled the pipe, recovering 11,771 carats valued at US \$82 per carat.

This was a substantial increase over the previous estimate and presents opportunities to increase the reserve.

In addition, Diavik's exploration team continues to explore its significant claim

block in the Lac de Gras area. By adding to the resource, the best possible benefits can be drawn from the mine, adding to existing opportunities and benefits for the North.

The majority of Diavik's exploration fieldwork is carried out from the Lac du Sauvage camp, 25 kilometres north of the mine site.

Fieldwork during 2003 included geological mapping, geochemical sampling, and ground-based magnetometer, electromagnetic, and gravity surveys. Diamond drilling included testing and delineation of several geophysical targets.

To help assess geophysical anomalies, glacial till samples were collected near promising targets. These soil samples, each about 20 kilograms, are

collected by field crews then analyzed for kimberlite indicator minerals that may have been liberated from a diamond-bearing kimberlite during glaciation.

Diavik currently holds over 240,000 hectares, or 2,400 square kilometres, under mineral claims and mining leases. The four kimberlite pipes forming the current Diavik resource are part of four mining leases totalling less than two per cent of the total claim block. Clearly, many more years of work remain to explore the region in detail.

Exploration fieldwork has led to the discovery of 63 kimberlites. About half are diamond bearing.

Fish Study Combines Traditional Knowledge, Science

Earlier this year, Aboriginal elders and Diavik scientists completed the second year of the fish palatability study, which combines traditional knowledge with science. The community-driven study goal is to assess fish health during mining operations.

The Diavik Environmental Monitoring Advisory Board, which includes Aboriginal, federal and territorial government, and Diavik representatives, assisted with the study, conducted in August, from a seasonal camp built near the mine. Northern environmental consulting firm Jacques Whitford also participated.

As part of the study, Dogrib Treaty 11, Lutsel K'e, North Slave Metis Alliance, Yellowknives Dene, and Kitikmeot Inuit representatives completed questionnaires rating lake trout on appearance before and during cleaning, and on look and taste once cooked.

"Community representatives told us that evaluating the quality of fish for eating is a continuous process that starts when the fish is caught and includes cleaning and cooking. This

approach is the basis for how the study was designed," said Gord MacDonald, Diavik's principal environmental advisor.

"Diavik's Fisheries Authorization requires us to monitor fish quality over the life of the mine. We talked with community representatives and they worked with Diavik to help design a program that utilizes traditional knowledge," said Erik Madsen, Diavik's environmental manager.

Gerry Atatahak, from Kugluktuk, said it was an opportunity to not only learn what members of other Aboriginal groups know about Lac de Gras, but also an opportunity for him to pass his knowledge of the area on to them. "Traditional knowledge is what Aboriginal people have learned over the years by living off the land; where the animals will be, where to set fish nets. It is the experiences handed down from elders; information about the land, even place names."

Information was also collected on lake trout weight, length, fecundity, age, stomach content, and texture. Tissue and samples were collected for analysis.

Overall, participants found fish texture to be healthy and of good quality. Some parasites were present in the tissue, but this is common in a lake like Lac de Gras where nutrient levels are low and fish often consume smaller fish.

Data collected during the fish palatability study mirrors baseline data collected by Diavik during its environmental assessment, conducted from 1995 through 1998.



Community representatives note fish characteristics and assist with tissue sample collection during the Diavik fish palatability study.

Training

Diavik's support of community-based training partnerships continues. Programs recently conducted included heavy equipment operation training in Lutsel K'e, with 16 graduates, and welding in Kugluktuk, with nine graduates. A security course is in progress in Kugluktuk. In the one-year instrumentation technician course, five participants have completed eight months of classroom study and are now on work placements at the Diavik Diamond Mine and with other northern firms.

Diavik Awards Scholarships

Diavik's vision includes providing enduring community benefits and, to this end, Diavik supports education through a comprehensive scholarship program.

"In 2003, Diavik awarded scholarships to 95 northerners to assist them in their educational pursuits. Our message is 'stay in school' and you open future opportunities," said Diavik Community Affairs Vice President Darryl Bohnet.

Diavik scholarships are awarded by a scholarship committee and through five participation agreement committees co-managed by Diavik community liaison staff and representatives of neighbouring Aboriginal groups, including the Yellowknives Dene First Nation, Dogrib Treaty 11, North Slave Metis Alliance, Kitikmeot Inuit Association, and Lutsel K'e Dene Band.

The Diavik scholarship program also includes high school, post-secondary, and employee family scholarships, as well as scholarships awarded through the National Aboriginal Achievement Foundation and bursary awards.

Diavik's 2003 scholarship program awards represent in excess of \$150,000. Since inception, the Diavik

scholarship program has awarded over \$500,000 to residents of the Northwest Territories and West Kitikmeot region of Nunavut.



Diavik Community Liaison Coordinator Henry Zoe, top left, and Diavik Community Affairs Manager Cindy Gilday, bottom left, present Chris Wong of Yellowknife and Sunny Ashcroft of Hay River with Diavik scholarships.

Safety Update

Diavik has set ambitious goals of achieving a 2003 lost time injury target of one-half the number of lost time injuries which occurred in 2002. To September 30, DDMI had two lost time injuries bringing the LTIFR to 0.3. The year target is 0.19.

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.

Diavik Wins Tech Award

Diavik has won a prestigious Start Technology and Business Vertical Market Solutions Award.

Start magazine, in cooperation with Microsoft Corp., recognized Diavik's use of technology to solve business challenges. Specialty chemicals company BASF, natural gas company BP America, aerospace firm Lockheed Martin, and National Semiconductor Corp. were among other recipients.

Zach Zacharias, Diavik's instrumentation and controls supervisor, accepted the award on behalf of the company at the 6th Annual Technology and Business Awards ceremony held in Wisconsin.

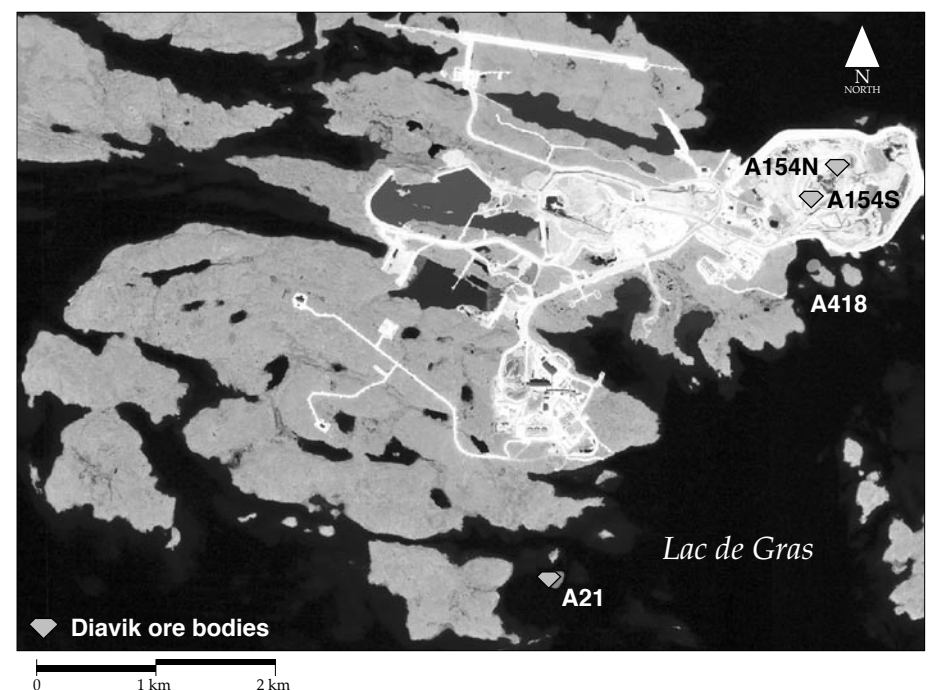
"DDMI was recognized for its company-wide integrated technology – from the plant floor to the corporate office boardroom," Zacharias said. "This approach to integrated systems, rare in North America's mining industry, makes Diavik more efficient and cost-effective," he added.

At the heart of Diavik's technology is the Emerson Delta V control system. Delta V generated data is stored in a Production Information Management System which forwards the information to other systems such as the Ellipse Enterprise Asset Management System.

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 ore bodies, Diavik expects to build three water diversion structures, called dikes, out from the island, surrounding the pipes. The first dike was completed in 2002.

- Construction completed – January 2003
- Project capital cost – C \$1.3 billion
- 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 – ramp up to 1.5 million tonnes annually
- Annual diamond production – peaks at approximately 8 million carats
- Mine life – 20 years
- Mine workforce October 2003 – approximately 600



Satellite image of the Diavik Diamond Mine taken July 19, 2003, the day of Diavik's official opening ceremony.