

DLAVIK
DIAMOND MINES INC.

dialogue

VOLUME 17

SPRING 2004

Mining Benefits

Welcome

This issue of dialogue finds us half way into our second year of production. And what a good year it has been.

This spring, Diavik became the first diamond mine to receive one of the prestigious John T. Ryan Canadian safety awards. I would like to congratulate our workers for their continued success in maintaining Diavik as a very safe workplace.

On the community front, benefits continue to be high, with our workforce over 70% northern. Training investments are also paying off, and we produced our first northern trades person. Spending on goods and materials with northern companies is also higher than expected. More detail will be forthcoming in our 2003 Socio-Economic Monitoring Agreement Report.

We continue to support communities through donations and sponsorships. Through the Yellowknife Community Arena Project, we are proud to contribute the expertise of our team to yet another significant community project.

In closing, I invite you to learn more about Diavik through this issue of dialogue. The articles describe the way we work, and they represent only a part of our overall effort to become Canada's premier diamond mine.

Joe Carrabba,
President

During its first year of operations, Diavik Diamond Mines Inc. continued to provide significant benefits to the North, according to the recently completed 2003 Socio-Economic Monitoring Agreement Report.

The report provides training, employment and business spending information.

On training, at year-end, 15 apprentices were employed by Diavik Diamond Mines Inc. and its contractors. In other training, 42

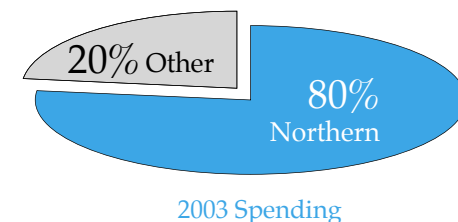
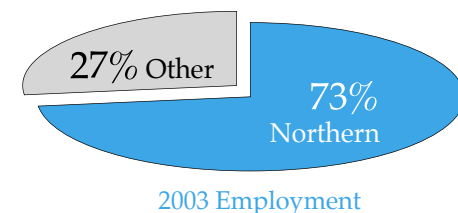
Northerners participated in community-based training courses.

On employment, Diavik provided, on average for the year, 611 jobs. Of the total, northern employment averaged 444, or 73 per cent, exceeding expectations.

On business spending, Diavik spent approximately \$250 million on operations and capital. Of this, approximately \$200 million, or 80 per cent, was northern.



Ekati Travco, a Yellowknives Dene joint venture, completed the 69-room expansion to Diavik's accommodation complex. Inset are Bob Davies of Ek'ati Services, left, and DDMI's Duke Vetor cutting the ribbon to open the addition.



Community Contributions

- During 2003, Diavik Diamond Mines Inc. contributed approximately \$6.5 million to northern communities through several initiatives.
- These contributions included donations, scholarships, sponsorships, business venture development programs, and training.
- Additionally, direct payments were made to the five Aboriginal groups with which Diavik has signed Participation Agreements.

Safety Pays Off

Diavik believes all workplace injuries are preventable and sets high expectations for safety with a goal of zero work-related injuries.

In 2003, Diavik reached its goal of reducing the number of lost time injuries to three.

The coordinated efforts of Diavik's workers did not go unnoticed. In May, Diavik was awarded a prestigious John T. Ryan Award.

Started in 1941, to promote safety in mineral production, the national awards commemorate John T. Ryan, founder of Mine Safety Appliances Canada Limited.

Diavik achieved its safety performance by applying stringent standards, educating workers, measuring ongoing performance, reviewing systems and programs, and setting continuous improvement targets.

For 2004, Diavik's goal is to reduce its lost time injury rate even further, to 0.30.



Diavik was presented with two mine rescue competition trophies at the NWT mine rescue banquet as well as a John T. Ryan national safety trophy. Representing Diavik (from left to right) were Erik Madsen, Mike Cooper, Dave Blake, Tracey Zarn, Fred Steinwand, Dean Warren, Nathan Pitre, Michael Nitsiza, Brad Landry, Ray Eskelson, Jose Godoy, and Duke Vetor.

Sustainable Development Report Released

Diavik's 2003 annual Sustainable Development Report is now available.

The 56-page report gives an accounting of Diavik's 2003 progress towards sustainable development.

The report is available on Diavik's web site at www.diavik.ca or at the Diavik Diamond Mines Inc. corporate office in Yellowknife, located at 5007-50th Avenue.



Diavik to Manage Construction of Yellowknife Arena's Second Ice Surface

Much to the joy of hockey players and skaters alike, work is underway to advance the second ice surface at the Yellowknife arena complex.

Earlier this year, the City of Yellowknife supported Diavik's proposal to manage an accelerated construction of the final phase of the city's Multiplex Arena.

Diavik and the City of Yellowknife will work together on the project and on financial arrangements to pay for the work.

Diavik will contribute cash and in-kind assistance worth approximately \$200,000. Diavik will also make its purchasing power available to benefit the project and, with subcontractors, actively consider training opportunities associated with the project.

Original plans called for the arena's second ice surface to be completed in 2006 at a cost of approximately \$4 million, but Diavik engineers expect project completion for less and by year-end.

Diavik marked the occasion by donating \$50,000 to the arena fundraising group, Facilities for Kids.



In connection with its arena development commitment, Diavik donated \$50,000 to Facilities for Kids. Pictured are Yellowknife Mayor Gord Van Tighem, Facilities for Kids representatives Joe Walsh and Kevin Stapelton, and Diavik VP Operations Duke Vektor.

Managing Waste Rock

As part of its comprehensive approach to environmental protection, Diavik is ensuring waste rock is managed safely.

Open-pit mining requires waste rock around an ore body be removed and placed in new landforms called country rock piles.

At Diavik, waste rock surrounding the diamond-bearing kimberlite ore bodies is almost 80 per cent Canadian Shield granite. The remainder is a sedimentary rock called biotite schist, which contains a small amount of a sulphide mineral called pyrrhotite. While present in minute amounts, it still holds some potential to generate sulphuric acid when exposed to air and water.

If unmanaged, this acid could dissolve metals and carry them to surrounding waters. Known as acid rock drainage, or ARD, this process is of significant environmental concern,

especially at metal mines where waste rock contains significant amounts of sulphide minerals.

While the sulphide content at Diavik is small, the company is managing rock to prevent acid generation. Since the sulphide-bearing rocks are sporadically distributed, Diavik samples and tests rock from every blast hole drilled to determine sulphur content – 30,000 samples per year! Rock is then classified into low, medium and high relative sulphur content.

Rock with the highest relative potential is isolated in the country rock pile's centre and then surrounded by medium potential rock. The outer shell of the pile is covered with virtually 'clean' granite rock.

Permafrost will migrate to the central core, freezing the rock and further eliminating contact with water and air, and eliminating any ARD potential.



Waste rock management is just one way Diavik is protecting the environment.

Reclamation Research

Even before mining started, Diavik was preparing reclamation plans. With operations now underway, fine-tuning has begun with reclamation research focusing on various areas, including:

- Country rock test piles research will investigate the effectiveness of a low permeability till layer using large-scale test piles.
- Till cover stability research will include monitoring till piles for cracks and settling to verify till stability.
- Re-vegetation research will monitor test plots to determine effectiveness of various cover amendments in promoting re-vegetation.
- Processed kimberlite containment research will measure various physical properties of fine processed kimberlite over time to verify closure planning for the processed kimberlite pond.
- The disposal alternative for treatment plant sludge research will determine chemical and toxicological properties of the water treatment plant sludge that is generated and deposited in the North Inlet storage area. Fieldwork on all projects is to start in 2004.

New Diamond Book

In June, local teacher Gayla Meredith launched a new book about diamonds.

Diavik, other diamond companies, governments, as well as many others, supported and assisted with the project.

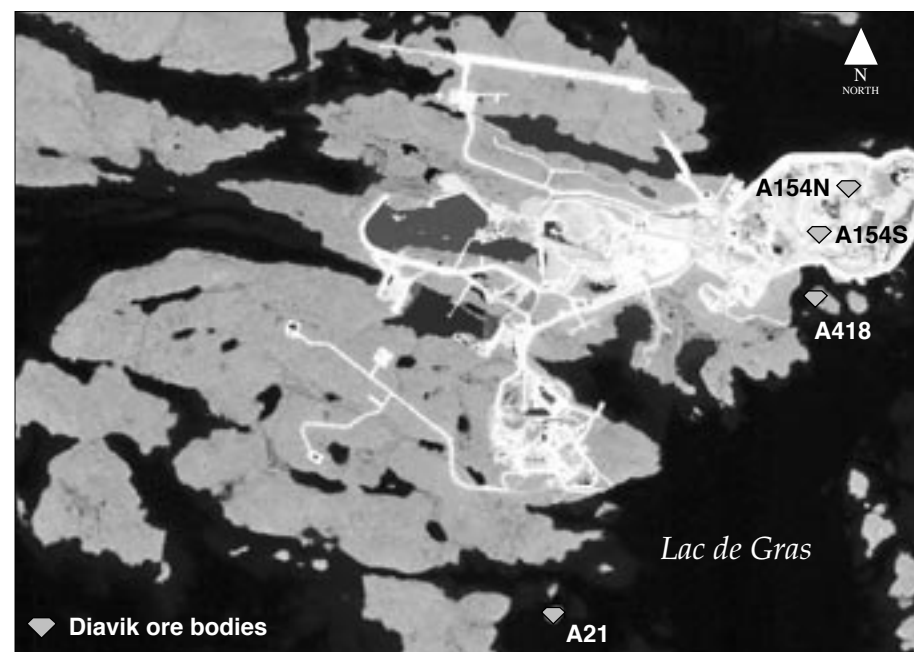
Canada's Northern Diamonds... from rocks to riches takes the reader through the various steps in the diamond pipeline focusing on the North, complete with numerous facts, figures and images. Books are available at various retail locations in Yellowknife.

Sales proceeds will see \$5,000 contributed to the NWT Literacy Council to develop a program for NWT schools which encourages classroom writing and bookmaking.

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 – 1.5 to 2 million tonnes annually
- Annual diamond production – peaks at approximately 8 million carats
- Mine life – 16 to 22 years
- Operations workforce – approximately 700



◆ Diavik ore bodies

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

Filling a Need

Trades people are in short supply in Canada and the need is even greater in the North.

Diavik recognizes that the mine offers Northerners apprenticeship opportunities, and has committed to providing eight to 18 site apprenticeships annually during operations.

Today, Diavik has 17 apprentices in six different trades, including millwright, instrumentation technician, heavy duty mechanic, light duty mechanic, mine welder, and plant electrician.

Diavik's apprenticeship program is 100 per cent northern and over half are Aboriginal Northerners. Diavik Diamond Mines Inc. employs two-thirds, with the remainder employed by Diavik contractors Tli Cho Logistics and Kingland Ford.

In future, Diavik may expand its focus to include machinist, mine electrician and site service welder apprentices.



Ken Moore of Hay River is the first Diavik-trained Red Seal journeyman mechanic.

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.