

DIAVIK
DIAMOND MINE

dialogue

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3RD QUARTER 2007

Welcome

I am delighted to make my first contribution to this newsletter on a positive note.

In the weeks since I have joined Diavik, we have received approval for the funding of the underground operation and associated surface works.

The approval marks a very significant milestone in the history of Diavik, probably the most important news since the opening of the surface operation.

However, with the approval now comes the responsibility of ensuring that we build an underground operation and business that is sustainable into the future.

We take our social and community responsibility very seriously, and remain committed to ensuring that we create a positive legacy through the careful use of the benefits and wealth we all obtain from the mining operation.

It is, however, a fact that the mine will not last forever. It is, therefore, important that this positive legacy is created carefully, and in a manner so that it outlasts the mining operation. This is the true meaning of sustainable development.

At site we have made significant progress and achieved important milestones in recent months, including:

- We achieved our best ever recordable injury free period of 88 days.
- Substantial progress has been made on the surface works required for the underground operation.
- We progressed our underground development (tunnels).
- We were granted our water licence for a period of eight years.

I look forward to many more positive milestones as we now embark on the next chapter in the life of Diavik.

I also wish to remind everyone that our value is that if it cannot be done safely it will not be done at Diavik.

Kim Truter
President

Underground Mining Investment Approved

We are very pleased to announce that Diavik's owners, Rio Tinto (60%) and Harry Winston Diamond Corp. (40%), have approved the mine's next phase – underground mining.

This is a significant investment at US \$563 million and shows investor confidence in the mine.

Under the current life of mine plan, diamond production from underground would begin in 2009 and continue beyond 2020. Open-pit mining is expected to cease in 2012 when Diavik would become an all-underground mine.

Diavik's total mine life remains within the 16 to 22 years

projected in the original feasibility study of 1999.

The US \$563 million will be spent over the next two years, adding to the US \$224 million invested in 2006/07 for underground feasibility studies and related construction.

This investment in underground mining will provide training, employment, and business opportunities, in addition to those benefits that Diavik already provides.

Diavik remains firmly committed to continuing its work with local communities and governments to meet its socio-economic and environmental commitments.

Much Construction Needed

To support Diavik's underground mining phase, several new construction projects are required. These include more tunnel, a new crusher and paste backfill plant, expanded water treatment and power generating plants, as well as additional other ancillary facilities.

Underground Decline Work

Prior to the start of Diavik's underground mining phase, approximately 20 kilometres of new underground development will be required.

This tunnel, or decline, will be in addition to the work already completed as part of the underground feasibility study.

At the end of the third quarter, nearly four kilometres of tunnel has been completed for the underground feasibility study.

Water Treatment Plant

To protect the environment, Diavik has a comprehensive water management system. The heart of the system is the mine's water treatment plant, which removes suspended solids from the water. Building tens of kilometres of tunnel will open up pathways for water to enter the mine. This water will be pumped to the surface where it will be stored then treated to remove suspended solids. As a result, Diavik will need to increase the capacity of its water treatment plant.

Currently Diavik's water treatment plant can treat up to 45,000 cubic metres of water per day. The expansion will double the plant's treatment capacity.

Prior to entering the plant, water is stored in the North Inlet, part of Diavik's water management system. To ready for underground, and the associated increase in mine water requiring treatment, Diavik has added and raised impervious dams to increase water storage capacity.

In addition to the North Inlet dam work, Diavik is raising dam levels around its processed kimberlite containment area to increase that structure's storage capacity.

Accommodations/Offices

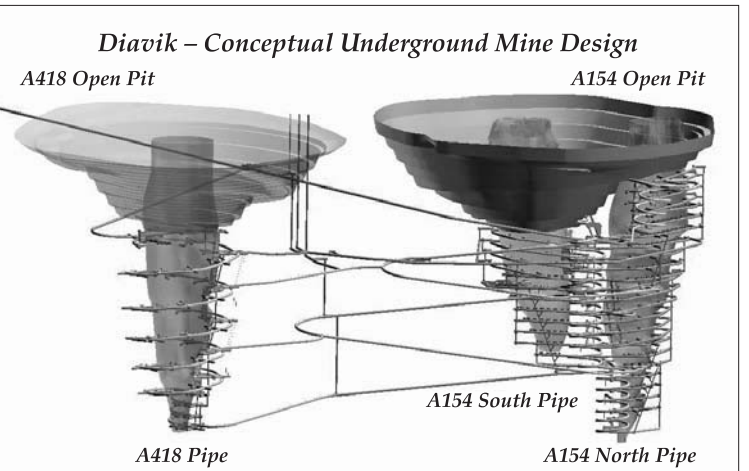
Diavik will need to expand its main accommodation complex for increased workforce. Underground mining also means there will be a need for more offices and what is known as a mine dry, a facility for underground miner gear.

Crusher/Paste Plant

For underground mining, Diavik will combine crushed granite, water, and concrete to make what is known as paste backfill. A crusher will supply rock to the paste plant and make crushed rock for various mine needs, such as roads. To eliminate dust, these buildings will be enclosed. Inside, dust will be managed through dust collection and air filtration.



Diavik's new crusher plant under construction.



This illustration shows how the three pipes could be underground mined. Open-pit mining in the A154 pit, right, commenced in 2003, while open-pit mining of the A418 pipe is expected to begin in 2008.

Power Plant

To support the mine expansion, Diavik will need to increase power capacity. Currently, Diavik's power plant has five 4.4 megawatt diesel generators. A second plant will house two 3.3 megawatt gensets, two 4.4 megawatt gensets, and have space for two more 4.4 megawatt gensets if required. Like the existing gensets, waste heat will be captured, significantly raising efficiency.

With the need for power, comes the need for additional fuel storage. Construction of two new 18 million litre tanks will bring the total to six. As well, there will be a need for an expanded power distribution system, including cabling, transformers, and substations.

New President Joins Diavik

Diavik Diamond Mines Inc. is pleased to announce that Kim Truter has been appointed President and Chief Operating Officer of Diavik.

Mr. Truter joined Diavik in October from Rio Tinto Coal Australia where he was General Manager of Mount Thorley Warkworth, a large-scale surface coal operation.



Diavik President Kim Truter

After completing a Bachelor of Science degree in mining engineering and receiving diplomas in mine surveying and linear geostatistics, Mr. Truter began his career as a miner with Rand Mines in South Africa. He advanced to management positions, among them mine planning manager at Richards Bay Minerals and mine operations manager at Hamersley Iron, both Rio Tinto operations. His mining career includes 10 years underground experience in deep level hard rock, highly automated nickel mining, and coal mining. Surface mining experience includes mineral sands, iron ore, and thermal coal.

Process Plant Staff Add to Technical Skills

At Diavik, we began training process plant operators early.

Under the plan, our trainees advance through four levels to achieve central control room operator (CCRO) designations.

From the mine's computerized central control room, operators

coordinate and monitor the plant's various machines that crush the diamond-bearing kimberlite ore down to the desired size for the plant's cyclones, where a density-based, non-chemical process creates a heavy mineral concentrate of rough diamonds and indicator minerals. On any given

shift, as well as the control room operator, there are several technicians at work in the 11-storey process plant.

To date, six trainees have completed all four operator levels. Currently, 16 others are in varying stages of their training. Two-thirds are northerners.

Two process plant workers are also fully trained in the recovery plant where the material is subjected to x-rays, magnets, and a grease table to

separate the diamonds from the non-diamond material.

In addition to the CCRO designation, plant workers can gain Mineral Technologist designations from the Northwest Territories Apprenticeship Board. At Diavik, over the past year, two central control room operators and two ore processing trainers have completed this program.



Aaron Campbell, who has completed operator level II, is among 16 process plant workers progressing toward central control room operator certifications.

88 Days a Safety Milestone

During the third quarter, Diavik's workforce reached a safety milestone – 88 consecutive days with no medical treatments or lost time incidents. Unfortunately, two lost time injuries did occur late in the quarter, resulting in a year to date all incident frequency

rate of 0.96 and a lost time injury frequency rate of 0.52. In other safety news, the Diavik Mine Rescue Team won the underground firefighting event at the Western Regional Mine Rescue Competition in September in Fernie, B.C.

Majority of Operations Employment and Business Spending is Northern

At Diavik, we are committed to creating local benefits from our work.

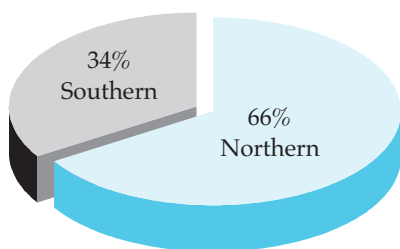
The latest Diavik socio-economic report shows a significant portion of the employment and business benefits associated with the mine are with northerners and northern companies.

For the first six months of 2007, Diavik's workforce averaged 773 people, of which 513 were northern. Approximately half of the northern workforce is Aboriginal.

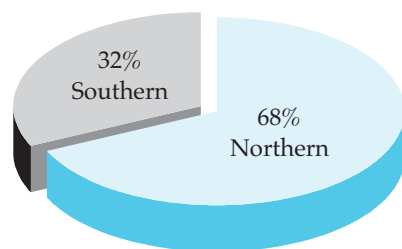
On business spending, we have now reached total spending of \$3 billion, of which 74 per cent, or \$2.2 billion, is northern. This includes initial construction, operations since 2003, and new construction. For the six months ended June 30, spending was \$375 million, with 68 per cent northern.

Details of Diavik's socio-economic benefits are in the Socio-Economic Monitoring Agreement report posted on www.daivik.ca.

Operations Employment



Total Spending



Water Licence Renewed

During the third quarter, the federal government approved the renewal of the Diavik water licence. The renewed licence, covering eight years, was effective November 2007 and replaces a previous seven year licence.

The Wek'eezhii Land and Water Board, established under the Tliche Land Claims and Self-Government Agreement, recommended renewal of the licence to the Minister following an intensive, two year public review

process which included various technical and public hearings.

The new licence was granted, subject to substantially increased environmental monitoring, reporting and management controls, revised discharge limits, and increased numbers and types of ongoing annual approvals.

Diavik continues to operate in compliance with all environmental permits, licences, and authorizations.

Production Remains Strong

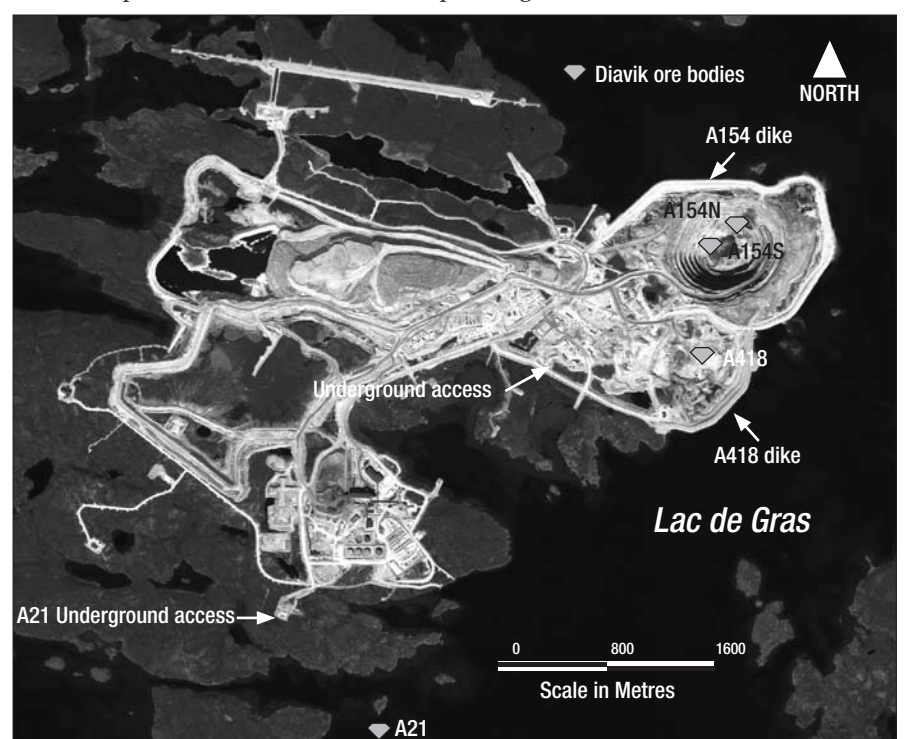


Diamond production continued to be strong in the third quarter with 3.1 million carats recovered. Ore was largely from the A154 South pipe, with lesser production from the A154 North pipe. Through the first nine months of 2007, diamond production was nine million carats. To allow safe underground mining of the A154 North pipe, Diavik is building a concrete rockfill cap over the pipe, top centre. Just right of the A154 North pipe, a small blast occurs at what will be a second underground access. Foreground is a blast in the A154 South pipe.

Diavik at a Glance

The Diavik Diamond Mine is located 300 kilometres northeast of Yellowknife, NWT. 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 has built dikes out from the island surrounding the pipes.

- Initial construction completed – January 2003
- Initial capital cost – C \$1.3 billion
- Reserves (2006) – 24.5 million tonnes at 3.3 carats per tonne
- Three ore bodies called A154 South, A154 North, and A418
- Annual ore production – approximately two million tonnes
- 2006 diamond production – 9.8 million carats
- Total mine life – 16 to 22 years (currently in year 5)
- Operations workforce – approximately 775
- Total operations and construction spending – C \$3 billion (74% northern)



Image, taken July 2007, of the Diavik Diamond Mine, East Island, Lac de Gras, NWT.

Want to Learn More?

For more information about the Diavik Diamond Mine, please visit our web site at www.daivik.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.