

Volume 14
1st quarter 2011

President's welcome	02
Winter road resupply	02
Business strategy	03
Operations update	04
Reserves updated	04
Diavik 150 dog derby	06
Did you know...	06
Diavik at a glance	08



Diavik Dialogue

RioTinto

President's welcome

Welcome to our quarterly newsletter, dialogue.

When I arrived at Diavik, over three years ago, we were in the early days of our efforts to construct our new underground mine.

When you consider the challenges faced – our remote location, the often extreme sub-arctic climate, the difficult technical and engineering aspects of the operation – we continued to meet, and often exceed, our goals... a testament to the fortitude and commitment of all involved.

Especially gratifying is the fact that despite these challenges, production from our new underground mine is ramping up in line with our plan, construction costs are well within expectations, our work with our partners continues to be strong, and our care for the environment remains to the highest standard.

Everyone shares in what we have accomplished. This includes our workforce, our local communities, businesses and organizations, governments, and our investors, Rio Tinto and Harry Winston Diamond Corporation. Time and again Diavik has shown that resource development can occur to global standards.

At time of writing this, my last welcome as Diavik President and Chief Operating Officer, I am especially

gratified to report that our workforce has again been recognized for its efforts to work safely.

For our low lost time injury rate in 2010, the Diavik team has won its fifth prestigious John T. Ryan safety award. I take great pride in everyone's effort to keep safety at the forefront of all we do, both at work and at home.

For those of you who been to our mine, you may have noticed bulletin boards where workers have placed photos to remind us all why we work safe – the pictures show images of family, friends, and events where we enjoy our leisure time. These images speak volumes about why safety will always be our most important value.

This summer I will be leaving Diavik, and the North, and moving on to new challenges and, as I do, I am confident that everyone's efforts have set the stage for Diavik's continued success.

I would like to extend my gratitude and thanks to our workforce for their hard work and dedication. From a professional and a personal perspective, it has truly been a pleasure to be a part of this world-class operation, and to live and work in what I consider a unique and special part of the world, and I wish all continued success in the years ahead.

Kim Truter
President and Chief Operating Officer

Diavik completes winter road resupply

Diavik completed this year's winter road resupply safely and successfully on March 27.

The road opened January 28 and officially closed for the season on March 31. These dates were similar to previous years.

With no all-season road access, Diavik resupplies the Diavik Diamond Mine via a seasonal ice road, open each year for approximately two months.

Diavik trucked 3,859 loads (approximately 127,000 tonnes) of fuel, cement, explosives, equipment, and other materials over the winter road.

Cold winter temperatures resulted in excellent ice conditions for the duration of the winter road season.

Haul truck rock boxes were among loads transported over this year's winter road.

The three operating diamond mines, and a few other third-party users, hauled a total of 6,832 loads northbound. Backhauls totalled 557 loads of equipment and other materials. Total tonnage hauled was approximately 239,000 tonnes.

The Tibbitt to Contwoyto Winter Road, managed by a joint venture committee, which includes Diavik Diamond Mines Inc., BHP Billiton Diamonds Inc., and De Beers Canada Inc., is committed to constructing, operating, and maintaining the winter road in a safe and environmentally responsible manner.



Cover: Cold temperatures ensured strong ice conditions for the 2011 winter road. Each year, a joint venture of the North's three diamond mines contracts Nuna Logistics Limited to construct and maintain the winter road from Tibbitt Lake to Lac de Gras. Photo by Dave Broscha.

Our business strategy – improve, build, and grow

At Diavik Diamond Mines Inc., we are part of Rio Tinto, whose vision is to become the leading global mining and metals company.

To achieve this, Rio Tinto's strategy includes investing in and operating large, long-term, cost competitive mines and businesses, driven not by commodity but by quality of the opportunity. Driving this strategy is:

- Financial and operating excellence
- Licence to operate
- Growth
- Technology and innovation
- Globalizing the business

Rio Tinto operates across many commodity groups and in many parts of the world. Diavik is part of the Diamonds and Minerals Group, which includes approximately 30 mining and mineral processing businesses around the world.

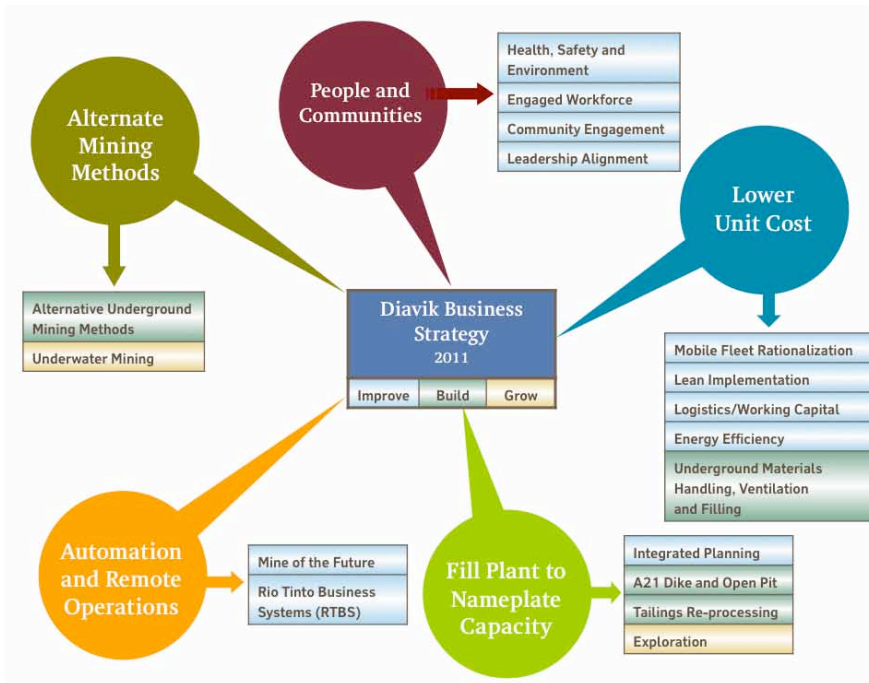
To meet Rio Tinto's strategy and strategic drivers, our group has its own strategy and strategic drivers. Our group strategy is to create value financially, delivering leading returns, and building a platform for growth.

Our drivers include:

- **Improve** safety, operational and commercial performance
- **Build** existing assets to meet growing demand for products
- **Grow** product group through acquisitions in new and existing sectors

This is the framework in which we operate – aligned with Rio Tinto and with the Diamonds and Minerals Group.

With this in mind, we continue to strategically look at ways to improve, build and grow. The key areas we look at are people and communities, lower unit costs, operating plant to capacity, automation and remote operations, and alternate mining methods.



In each of the areas our teams are working on specific projects by assessing where we are as a business, where we want to be, and how to get there.

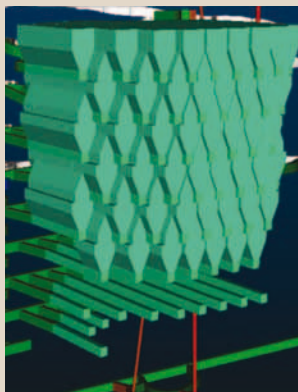
Just one example is our study of alternative mining methods. We continue to look at different ways to safely and efficiently mine our diamond ore.

Through this approach we determined that 'open sky' mining the top portion of the A154 South pipe was feasible. Linked to this mining method was our initiative to employ remotely operated mining equipment to collect and transport the ore to our process plant.

Successfully implementing a different way to mine the A154 South pipe diamond ore helped us meet the needs of our customers, adding value to our operations.

Successful 'open sky' mining, as well as geotechnical performance of our open pits, initiated our focus on replacing underhand cut and fill mining with a method known as sub-level retreat.

A key advantage to this method is the fact it does not require cement backfilling and, as such, is lower cost. We continue to study this mining method as we ramp up our underground production at Diavik.



Sub-level retreat

In this underground mining method, one which Diavik is studying to potentially utilize, multiple horizontal panels of ore are mined. Mining of the top panel is more advanced than in subsequent lower panels. As mining progresses, the face of the panel being mined, known as the draw point, retreats.

Operations quarter update

During first quarter, the majority of the ore we mined and processed, and diamonds produced, came from our smaller A418 open pit.

We continue to ramp up production from our new underground mine as planned.

Open-pit mining of the A418 kimberlite pipe is expected to conclude next year and all three pipes will be mined by underground methods.

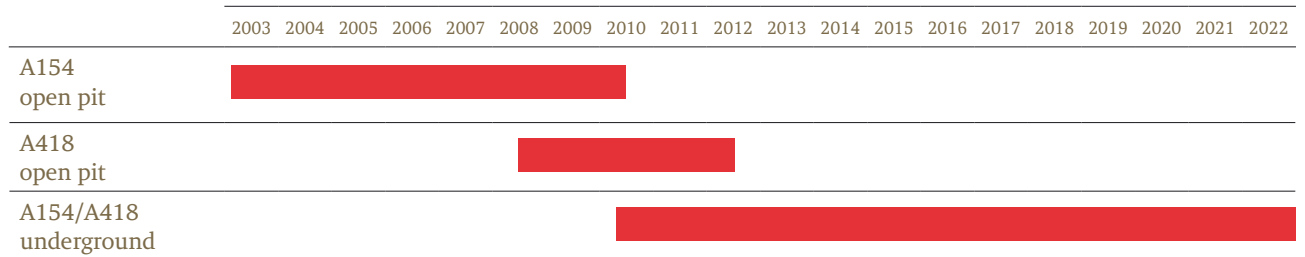
Additionally, we continue to study the potential of the A21 pipe located south of existing mining operations in an effort to bring this kimberlite pipe into our mine plan.

During first quarter, we experienced one lost time injury and four medical treatments. Our all injury frequency rate was 0.30 and our all injury frequency rate was 1.50.

By the end of first quarter, the A418 pit had reached 170 metres below lake level. Open-pit operations in the larger A154 pit concluded last year.



Diavik Diamond Mine life of mine plan



Mine schedule subject to market conditions, further resource evaluation, A21 pipe evaluation, continued mine planning, etc.

Reserves updated

At 31 December 2010, Diavik's in situ ore reserves were 18 million tonnes at 2.9 carats per tonne.

Deposit grade, at 2.9 carats per tonne, is well above the world average of less than one carat per tonne, making Diavik's kimberlite ore bodies among the highest grade pipes in the world.

The kimberlites in reserve each have resources beyond present reserve boundaries that could be upgraded and added to the reserve in future.

A fourth pipe, A21, continues to be studied and has potential to be added to reserves.

Proven and probable reserves			
Pipe	Tonnes (millions)	Carats/tonne	Carats (millions)
A154S	3.1	3.7	11.7
A154N	8.7	2.1	18.6
A418	6.2	3.7	22.6
Total	18.0	2.9	52.9

Some figures may not add due to rounding.

From North of 40 to North of 60

Mining Engineer joins Diavik from Austria

When Austrian engineer Nikolaus Auerboeck joined Diavik, it meant a 20 degree move north and travelling about 7,000 kilometres. “Mining North of 60... I wasn’t aware of this catchy phrase when I was working for Rio Tinto Minerals Austrian subsidiary, Naintsch Mineralwerke GmbH,” he said. “In my case, I was mining North of 40, at the Plastorit Mine, a small scale underground operation in central Europe.”

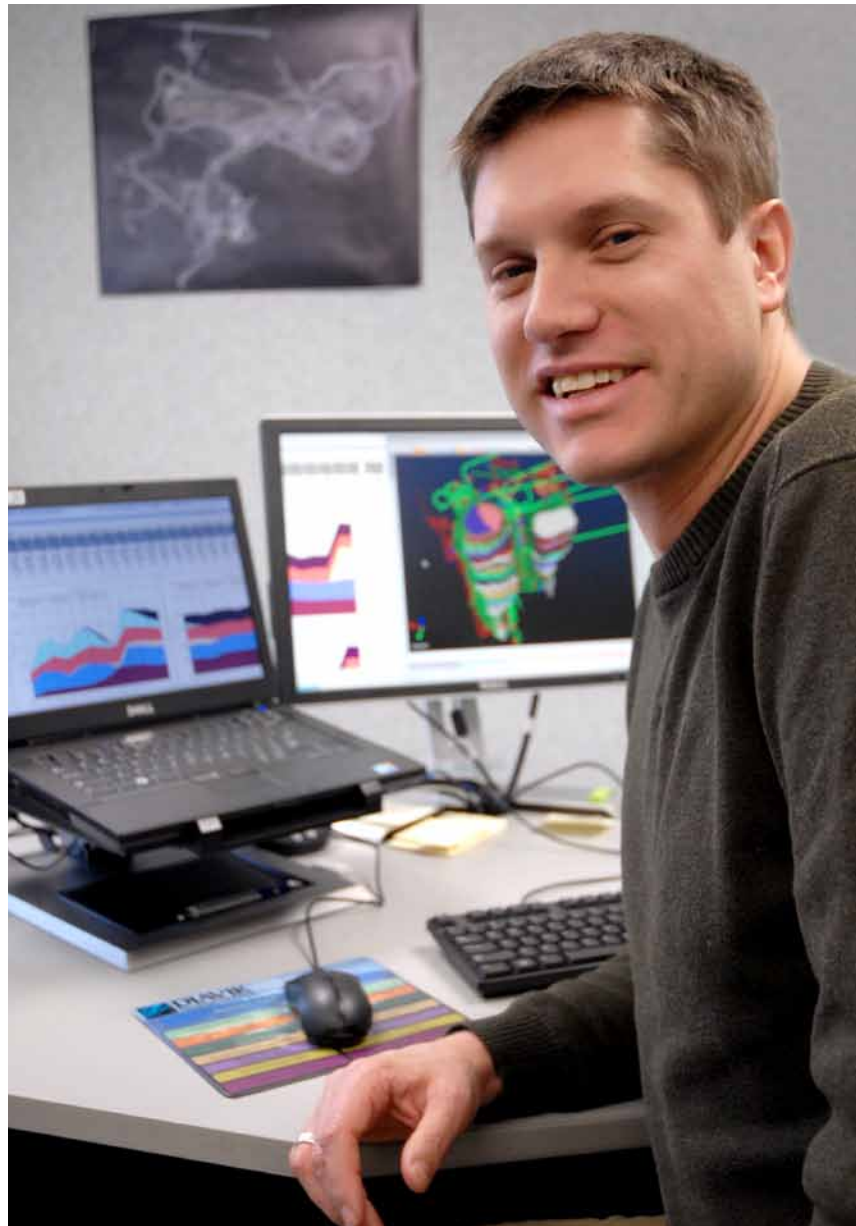
The mineral mined there is called Leucophyllite, and is sold as Plastorit, which is used in the coatings and paint industry to protect heavy steel used in bridges and ships’ hulls from corrosion. In terms of mining, what makes Plastorit special is more about the product mined. “This commodity is concentrated in this unique deposit, which provides reserves for many decades,” he said.

Austria’s Plastorit mine is an underhand cut and fill operation in its new underground mine – and it recently ramped up between 2006 and 2010. Before this method was used at the Plastorit mine, an independent part of the deposit was mined separately, between 1917 and 2007, using a pillar retreat caving method. This part of the mines was recently successfully closed.

“All stages of the mine life were challenging, from ramp-up to operation and the closure of the caving operation. It was a great opportunity to use and broaden the skills I was taught at the Mining University of Leoben,” he said.

Nikolaus graduated with a master’s degree in mining engineering and mining economics and joined Diavik in December after over six years at Rio Tinto Minerals Austria. “My preference was to stay with Rio Tinto and follow new opportunities outside Europe, so the fit was perfect when I was offered the position as Senior Engineer, Strategic Planning, at Diavik.”

As an engineer on Diavik’s Strategic Planning team his work will focus on Diavik’s transition to underground mining and the preparation of long-term mine plans.



Nikolaus Auerboeck joined Diavik from Rio Tinto’s Plastorit Mine in Austria.

In terms of comparing the Northwest Territories of Canada to Austria, Nikolaus came North of 60 just in time for minus 40 temperatures.

“I am used to a climate which is sometimes harsh. I’m from an area in Austria where winter’s snowfall can pile up to two metres of snow in the valley and temperatures drop below minus 20 Celsius. However, the environment here is very different – all the lakes and the vast flat tundra, with very few inhabitants – a contrast to the area where I grew up.”

Nikolaus is from a part of Austria which has an elevation of almost 1,000 meters above sea level, mountains as high as 2,400 metres, and countless villages spread over the countryside.

“But, for sure, Yellowknife is a place where I’m certain my wife, Doris, and I will feel comfortable, especially with all the nice people we’ve met in just our first few months.”

Mushers complete successful Diavik 150 dog derby

The 56th annual Diavik 150 Canadian Championship Dog Derby, held March 25 to 27, finished with Fort Nelson, B.C.'s Buddy Streeper taking top spot.

Streeper finished with a time of 10 hours, 17 minutes and 25 seconds – just 99 seconds ahead of rookie John Stewart from Scotland. This was Stewart's first Diavik 150 and his dog racing team was provided by Streeper. "This was the best race I've ever run and I'll definitely be back next year," said Stewart.

Yellowknifer Brent Beck took third, with a time of 10 hours, 33 minutes and 44 seconds. Remaining mushers to complete the race were Richard Beck, John Beck, Grant Beck, Craig Houghton, and Dyan Bergen.

The Canadian Championship Dog Derby was first run in 1955 and covered a distance of 40 miles. In 1964, the race was expanded to 150 miles over three days. The race route includes Frame Lake and Great Slave Lake.

Diavik has been the lead sponsor of the event since 2006. "We are very pleased to be a part of this event which helps keep a community tradition alive," said Kim Truter, Diavik President and Chief Operating Officer.

Working dogs have been part of life in the North for centuries, supporting hunting, fishing, trapping, and travel between communities for Dene, Metis and Inuit people. By the early 20th century these dogs became prized for their speed and endurance in team races.



Competitors and family at the Diavik 150 awards banquet held in Yellowknife.

Diavik Diamond Mine did you know...

- Ten Aboriginal northerners from Diavik were the first in Canada to achieve underground miner certifications from the Mining Industry Human Resources Council's Canadian Mining Credentials program and the Diavik Diamond Mine was among seven locations for this national pilot program.
- Diavik is a lead sponsor of the Yellowknife Community Foundation gala, which earlier this year raised \$42,000 for local initiatives. Our role includes donating auction items and our staff volunteered their time to this worthy cause.



Attendees at Canada's first underground miner certification ceremony included Diavik manager underground Lyndon Clark, Shawn Whiteman, Daniel Jaeb, Doug Arden, Maureen Monkman, Diavik superintendent underground development Curtis Dunford, Barbara Kirby of the Mining Industry Human Resources Council (back row left to right), Alex Daigneault, Joe O'Reilly, David Brown, JP Williah (front row left to right). Diavik underground miners Verne Hansen and Adrian Romie also received certifications, but were unable to attend.



For the Yellowknife Community Foundation gala, we commissioned local artist Joe Ashoona to create a walrus carved from Diavik Diamond Mine kimberlite.



Staff from across Diavik's operations attended the Lutsel K'e spring carnival in March. In all, eight members of our workforce cooked a pancake breakfast at the community hall. Among the highlights of the carnival was a traditional hand games competition. Pictured from top left are: Diavik Human Resources Manager Robin Wise; Tanner Catholique, Iris Catholique, Devon Catholique, and Keagan Boucher; and the Diavik Lutsel K'e participation agreement implementation committee, including Colleen English, Adeline Jonasson, Dennis Drygeese, Angie Lantz, Steven Nitah, and Florence Catholique.



Diavik at a glance

The Diavik Diamond Mine, which has been awarded one national John T. Ryan safety trophy (2009) and four regional John T. Ryan safety trophies (2010, 2007, 2004, and 2003), is located 300 kilometres northeast of Yellowknife, Northwest Territories, Canada.

The Diavik Diamond Mine consists of three diamond-bearing deposits, called kimberlite pipes, located just offshore of a 20-square-kilometre island, located under the waters of Lac de Gras. To mine these underwater ore bodies, Diavik has built

two dikes out from the island, which Aboriginal people call Ekadi.

Diavik is currently processing diamond ore from both its open pit and newer underground mine operations. By 2012, Diavik expects to be an all underground mine.

Mine facts:

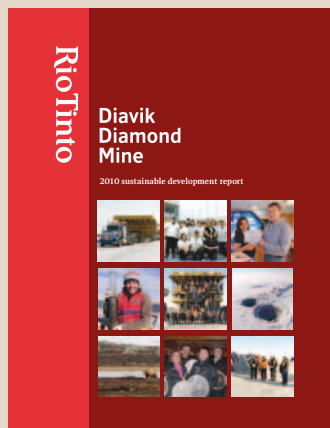
- Three ore bodies called the A154 South, A154 North, and A418 pipes
- Annual ore production – approximately 2 million tonnes

- 2010 diamond production – 6.5 million carats
- Total operations and construction spending through 2010 – C \$4.8 billion, of which \$3.5 billion is northern
- 2010 operations workforce – 907 (561 northern)
- Total mine life – 16 to 22 years (currently in year nine)
- Reserves – 18 million tonnes at 2.9 carats per tonne

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SD report released

The Diavik annual sustainable development report, our 12th, has been uploaded to our web site. In addition to background information about Diavik, the report highlights our many initiatives towards economic prosperity, social well-being, and environmental protection – the three key pillars of sustainable development. The full report can be found at diavik.ca in the reports and publications section.