

DIAVIK
DIAMOND MINE

dialogue

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Welcome

Welcome to *dialogue*, Diavik's quarterly public newsletter.

Let me begin by saying I am very pleased with the efforts of all our workers over the recent months.

Despite the winter road setbacks earlier this year, we've successfully kept operations and construction on track.

Our mining operations teams are putting our new shovel hard at work in the A154 pit and as a result our mine plan is progressing well. With their help, our processing group achieved Diavik's best quarter in terms of rough diamond production.

This will be very helpful in paying the very significant increased costs we are facing from a combination of an unfavourable \$US exchange rate, very high fuel, labour and material costs, and of course, the very high costs of flying freight to our mine site.

We have finished the second phase of our airlift and as a result, the A418 dike construction team completed work on schedule and the dike was made watertight in September. With dewatering of the pool complete, we can now begin to excavate what will eventually become our second open pit.

Our underground feasibility study teams continue to advance the declines to our kimberlite pipes, and tunnelling crews have now made contact with two of the pipes and begun test mining them.

Our safety record is good, but we must remain ever vigilant if we want all our workers to return home in better condition than when they left.

I'm sure you'll find our detailed stories of interest, and after reading them will agree that Diavik's workforce is doing a great job.

Mark Anderson
President

Crews Advancing Underground Tunnels

Diavik's underground mining crews have reached the A418 and A21 kimberlite pipes.

Diavik is currently constructing decline tunnels, including a main decline tunnel for underground feasibility studies, and a second to bulk sample the A21 kimberlite.

Workers, among them Diavik's seven underground mining trainees, reached the A418 kimberlite pipe in late September.

Reaching the A418 pipe required construction of 1.7 kilometres of tunnel.

With contact made, work crews will collect geological, geotechnical, and hydrological information as well as conduct delineation drilling.

In the A21 decline, being constructed

to bulk sample the A21 pipe, work crews made contact with the A21 kimberlite pipe in early October. The A21 decline stretches about 1.3 kilometres from surface.

The 10,000 tonne bulk sample will better define the A21 pipe.

Work continues on the ramp to the A154 North pipe where construction of about 875 metres more tunnel is needed before crews reach A154N.

In total, about 4.5 kilometres of tunnel will be required for the feasibility studies and the bulk sampling.

Diavik's underground mining contractor is Kitikmeot Cementation Mining Development, a partnership of mining firm Cementation and the Kitikmeot Corporation of Nunavut.



One of Diavik's underground mining contractor trainees is loader operator Peter Kiahingnaq from Taloyoak, Nunavut.

A418 Dike on Schedule

Thanks to the hard work of our dike construction teams, and a supply of much needed construction materials flown in around the clock under Diavik's ice road recovery program, work crews have kept A418 dike construction on schedule.

By September 1, the dike's central cut-off-wall, grouting to anchor the dike to glacial till and bedrock, and instrument installation were complete. Monitoring shows the 1.3 kilometre dike is performing as planned.

Dewatering of 2.5 million cubic metres of A418 pool water was completed in early October. Clean, clear water, about three-quarters

of the total, was pumped over the dike into Lac de Gras. As water level lowered, the silty water was pumped to an on-land sedimentation pond, then transferred to the North Inlet and drawn through the mine's water treatment plant to remove any remaining silt before being returned to the lake.

The sedimentation pond, North Inlet, and water treatment plant, are all part of Diavik's ISO accredited Environmental Management System.

The next step is to ready the A418 pipe for open-pit mining. This includes removing overburden and preparing the pit.



With the successful airlift of construction supplies, Diavik's new 1.3 kilometre A418 dike construction is on schedule. In September dewatering was progressing as planned with clean, clear water being pumped into Lac de Gras.

Mining Update – Excellent Quarter

With the new Terex RH200 excavator successfully at work in the A154 pit, Diavik's mining crews are well on their way to getting pit operations in line with annual expectations.

Much of the rock Diavik has to manage is Canadian Shield granite destined for the country rock pile. The remainder, about 10 per cent, is kimberlite ore hauled to the processing plant.

With the new Terex RH200 shovel gaining ground on waste rock removal, Diavik expects annual waste rock volumes to be back on track by year-end. This 520-tonne hydraulic shovel replaced the Hitachi EX3600

destroyed by fire late last year.

In September, mining of the A154 South pipe's 270 bench was completed, with mining of the A154 North pipe's 280 bench commencing.

At quarter's end, the A154 open pit was approximately 150 metres deep, or about half way to its final depth.

Ore processing rates for the quarter were excellent, with August and September representing the two highest monthly throughput levels achieved.

As a result, this quarter's diamond production was 2.8 million carats, bringing year-to-date diamond production to 7.3 million carats.

Wek'eezhii Board Hosts Water Licence Hearings

The Diavik water licence application process continued in November with the new Wek'eezhii Land and Water Board hosting public hearings in the Tlicho community of Behchoko.

At the hearings, Diavik, government departments, and Aboriginal groups made presentations.

Diavik's current seven-year water licence expires in August 2007 and Diavik has asked for a 15-year licence to cover the expected remaining mine life.

The hearings, which were scheduled to conclude on November 10, are part of a process which Diavik fully supports.

Throughout all phases of the mine, Diavik takes its environmental stewardship responsibility very seriously. Diavik's monitoring programs show no significant adverse environmental effects have resulted from Diavik's work and the company's operations are in full compliance with all permits, licences, and regulations.

As well, Diavik has a very transparent community environmental monitoring program through the Diavik Environmental Monitoring Advisory Board.

Airlift Success Continues

After the abbreviated 2006 ice road, Diavik committed to continue operations and construction as planned through its ice road recovery initiative, which includes airlift and a fuel conservation programs.

With phase one and two of its airlift now successfully completed, flying in the new production shovel and the A418 dike construction supplies, Diavik is now concentrating on the third and final phase – flying fuel and sundry supplies to support operations.

At quarter's end, phase three was progressing well. For fuel and general freight, Diavik is utilizing First Air Hercules transports.

Phase three is expected to continue through November.

On fuel conservation, several projects, among them a mobile equipment fuel savings program, have been implemented and are resulting in fuel savings. Other projects, like the south accommodations camp renovation, are amid planning. Through these, and other energy saving initiatives, Diavik may be able to reduce its annual diesel fuel consumption by over two million litres.

Fish within A418 Pool returned to Lac de Gras

To protect fish within the A418 dike area, Diavik captured nearly 1,000 fish for return to Lac de Gras.

Coordinated by Diavik's environment department under Diavik's Fisheries Authorization, the fish salvage program was completed during the third quarter by Golder Associates in partnership with the Kugluktuk Hunters and Trappers Organization (HTO).

Like the previous fish salvage program in 2002 during A154 dike construction activity, fish were handled in accordance with a protocol designed and approved by the federal Department of Fisheries and Oceans.

Capture methods for the A418 program included gill and trap nets, minnow traps, electrofishing, and angling. Species included lake trout,

cisco, round and lake whitefish, and burbot; the largest a seven kilogram lake trout.

Once caught, fish were placed in boat live wells. After recording species, sex, length, weight, and collecting structures to determine fish age, fish were transferred to specialized recovery boxes located on a dock outside the dike then released back to Lac de Gras.

Adult trout were tagged.

Fish survival rate was 80 per cent, with mortalities frozen and shipped home with the HTO employees at the end of the program.

In all, 906 fish were captured within the 2.5 million cubic metre A418 pool.

This compares with 5,049 fish salvaged from the 10.2 million cubic metre A154 pool.



Brandi Bielert with Golder releases a trout back to Lac de Gras, while Tony Akoluk from Kugluktuk collects data.

New Transitional Centre Planned

Diavik Diamond Mine, the City of Yellowknife and the Yellowknife Homelessness Coalition are working together on a new transitional centre for homeless men.

In September, a memorandum of understanding to explore construction was signed that would see Diavik oversee construction in a similar management role as it used to complete the Yellowknife Multiplex recreational facility two years ago.

The Bailey House, named for Reverend Gordon and Ruth Bailey, will offer services beyond those offered at emergency shelters by assisting homeless male clients seeking to make the transition to permanent community residence.

The Baileys were well known for opening their own home in Yellowknife to people needing a safe, warm place to sleep.

It is expected capital costs to construct the centre, to be located

on Franklin Avenue in Yellowknife at the old fire hall site next to the Salvation Army, will be in excess of \$3 million.

The Coalition, which includes federal, territorial, Aboriginal, and municipal governments, sheltering agencies and other non-governmental organizations, including church groups, has been granted access to \$1.2 million under the federal government National Homelessness Initiative, \$1.5 million under the Community Capacity Building Fund, and \$220,000 from the NWT Housing Corporation to construct the Bailey House.

Diavik will contribute cash and in-kind contributions valued at approximately \$250,000.

In addition to capital funding commitments at the local level, significant fundraising is still required for construction and other related items, such as furniture, for the centre.



Yellowknife Mayor Gordon Van Tighem, Diavik President Mark Anderson, and Yellowknife Homelessness Coalition Co-chair Lydia Bardak at the signing of the Bailey House MOU and fundraising launch.

Northern Benefits

Diavik continues to provide strong training, employment, and business benefits to the North.

The latest training initiatives include the start of Diavik's second Aboriginal Leadership Development Training program. Designed and delivered by SAIT Polytechnic in collaboration with Diavik, the six-month program is based on SAIT's Applied Management Certificate program.

In other training, seven Aboriginal and Inuit trainees who have completed underground miner training continue work with Diavik's underground mining

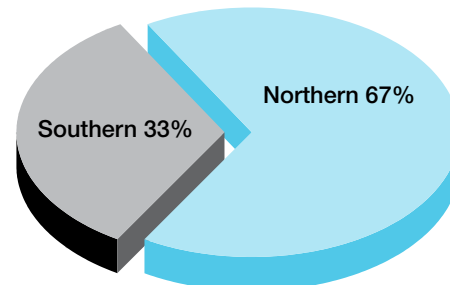
development contractor.

At quarter's end, DDMI and contractors employed 18 apprentices, all of whom are northern, with two-thirds being Aboriginal. Diavik has committed to between eight and 18 apprentices.

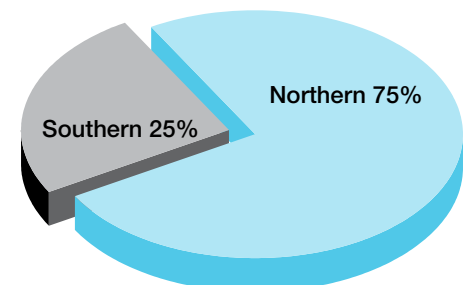
On employment, Diavik's total operations workforce averaged 760 during third quarter, of which 508 (67 per cent) were northern, and nearly half of these (249 or 33 per cent) were Aboriginal.

On half-year operations spending of approximately \$120 million, approximately 75 per cent was northern.

Operations Workforce
Third quarter average



Operations Spending
January to June 2006



Safety is Top Priority

Diavik's excellent safety performance continued during the third quarter.

Two lost time injuries and two medical treatments occurred during the three months to September 30.

Year-to-date lost time injury and all incident frequency rates are 0.30 and 0.91. Both are ahead of annual targets of 0.61 and 1.22.

These rates and targets include Diavik's operations and construction workforce.

Diavik at a Glance

The Diavik Diamond Mine is located 300 kilometres northeast of Yellowknife, NT. 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 is building water diversion structures, called dikes, out from the island, surrounding the pipes. The first dike was completed in 2002. Construction of the second dike began in spring 2005. By fall 2006, the dike's central cut-off-wall was completed. Subsequently, dewatering of the A418 pool was completed.

- Initial construction completed – January 2003
- Initial capital cost – C \$1.3 billion
- Reserves – 28.2 million tonnes at 3.2 carats per tonne
- Three ore bodies called A154 South, A154 North, and A418
- Annual ore production – approximately two million tonnes
- Annual diamond production – approximately eight million carats
- Total mine life – 16 to 22 years (currently in year 4)
- Operations workforce – approximately 750



Image, taken September 2006, of the Diavik Diamond Mine, East Island, Lac de Gras, NT.

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.