

Rec'd May 22/03 via  
e-mail  
from GNWT  
Carol-Malison

**MEMORANDUM OF UNDERSTANDING  
REGARDING  
THE AVAILABILITY OF ROUGH DIAMONDS FROM THE DIAVIK  
DIAMOND PROJECT TO THE SECONDARY DIAMOND INDUSTRY  
MANUFACTURERS BASED IN THE NORTHWEST TERRITORIES**

Between:

The Government of the Northwest Territories (GNWT)  
as represented by the Deputy Minister of Resources, Wildlife and Economic  
Development

And

Diavik Diamond Mines Inc. (DDMI)

**WHEREAS**

- A. DDMI and Aber Diamond Mines Ltd. (Aber) have formed, and are participants in an unincorporated joint venture relating to the potential establishment of a primary mining activity to be located adjacent to the East Island in Lac de Gras, Northwest Territories (the "NWT"), for the production of rough diamonds (the "Project");
- B. It is the objective of the GNWT to promote, encourage and support the potential for economic diversification through the development of downstream secondary diamond industry activities in the NWT in the manner as described in the Report by the Federal Territorial Committee on Value-Added Aspects of the Canadian Diamond Industry — Northwest Territories (September 1998) (the "Federal Territorial Committee Report"), and the GNWT is desirous that DDMI make rough diamonds available from the Project for such activities;
- C. DDMI has advised the GNWT that each of DDMI and Aber retain the right to take ownership of, and independently market, their respective shares of rough diamonds produced by the Project;
- D. DDMI acknowledges that economic diversification within the NWT is a worthy goal and has at various times indicated its willingness to make available proprietary DDMI information to the GNWT (subject to suitable safeguards) for the purposes of its studies into economic diversification through the development of secondary diamond industry activities;
- E. DDMI, together with Aber, have advised the GNWT of their joint intention to establish an off-site sorting facility for production splitting and royalty valuation purposes in the NWT;

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- F. DDMI has at various times indicated its willingness to make available rough diamonds from its share of the production from the Project to potential clients based in the NWT.

The GNWT and DDMI wish to record the following memorandum of understanding with respect to future discussions and activities between themselves on the matter of making rough diamond from DDMI's share of the Diavik Diamond Project production available to secondary diamond industry manufacturers based in the NWT:

1. The GNWT confirms the Federal Territorial Committee Report is relevant to any marketing plans that DDMI may develop for the sale of its rough diamonds to potential clients based in the NWT.
2. The GNWT undertakes to implement the recommendations for further study as contained in the Federal Territorial Committee Report, particularly with respect to training.
3. The GNWT undertakes to prepare an annual report describing developments and changes in the status of the secondary diamond industry in the NWT and to make this report available to DDMI and other existing and potential rough diamond producers in the NWT.
4. The GNWT undertakes to act as a clearing house in handling inquiries from third parties for the supply of rough diamonds by maintaining a contact list of existing and potential rough diamond producers and furnishing said third parties with such listing and by referring all third party inquiries for the supply of rough diamonds to existing and potential rough diamond producers.
5. DDMI undertakes to continue to assist the GNWT to assemble information in the possession of DDMI relevant to developments and changes in the status of the secondary diamond industry in the NWT, subject to suitable safeguards for proprietary DDMI information including, where appropriate, confidentiality undertakings between DDMI and the GNWT.
6. DDMI undertakes to enter into discussions with existing or potential NWT-based clients for the supply of rough diamonds from DDMI's share of the Project's production either in the form of sales selections or run of mine material and DDMI undertakes to work constructively to meet both growth in demand and industry requirements for diversified sources of supply.
7. DDMI undertakes to provide the GNWT with a confidential study which will describe DDMI's general plans for the sale of rough diamonds to NWT-based clients twelve months before start of production.

8. Within four months of production beginning — and based on the information obtained in clauses 3, 5, 6 and 7 — the GNWT and DDMI will negotiate an agreement on Value Added that would cover, but not be limited to: allocation for approved NWT Manufacturers; a process for selection, review, assessment and approval of NWT Manufacturers; monitoring to ensure manufacturing is done in the NWT; a process for sales to NWT Manufacturers.
9. The GNWT and DDMI agree that the undertakings described in this memorandum of understanding are conditional upon the Project receiving all necessary approvals to proceed with construction and DDMI and Aber making a decision to put the Project into production.
10. The GNWT and DDMI agree that the undertakings described in this memorandum of understanding may, where considered necessary or desirable, be incorporated into one or more agreements dealing with specific matters in more detail.

SIGNED:

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Dr. S.F. Prest  
President,  
Diavik Diamond Mines Inc.

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Mr. Joe Handley  
Deputy Minister,  
Resources, Wildlife and Economic  
Development, GNWT