

the **a b e r** 1999
annual report

out
of the
box



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into the market

In a diamond industry undergoing structural change, Aber is positioning itself to become a leader in the delivery of Canadian diamonds to the US market. Breaking out of the box. Capitalizing on new market opportunities. Redefining the value chain. Building brand equity for the Canadian diamond.

s e t t i n g t h e s t a g e

Aber is evolving. The Diavik Diamond Project is now advancing into production. And we are focused on the marketing of high-quality Canadian diamonds to the global marketplace.

Our proximity to the dominant US market is an outstanding commercial opportunity. Our diamonds are an excellent match to the US market's requirements.



John C. Lamacraft
Chairman of the Board of Directors

Robert A. Gannicott
President & Chief Executive Officer



t o o u r s h a r e h o l d e r s

Marketing is where
Aber can make
a difference.

We have begun a complete and timely evolution in the focus of your Company. We are positioning Aber to become a vertically integrated diamond marketing business. Our goal is to supply premium-quality Canadian diamonds directly to the jewelry trade as it shares in the wealth of the expanding global economy.

Marketing is where Aber can make a difference with its share of diamonds from the Diavik and Snap Lake projects, both operated by other parties.

In 1999, we laid the groundwork of this strategy through the development of a strategic alliance with Tiffany & Co., the US-based world leader in retail sales of high-quality diamond jewelry. Under a 10-year agreement, Tiffany will purchase at least US\$50 million per year in diamonds from Aber. Our alliance with Tiffany & Co. breaks new ground in the diamond business, where integration between producer and retailer is an innovation. This arrangement brings to Aber an important competitive advantage by positioning us at the leading edge of a trend that we believe will transform the diamond industry.

IN STEP WITH THE MARKET

The US jewelry market now consumes nearly half of the world's diamonds. This affection for diamonds represents a special opportunity for our products. Marketplaces throughout the world demand different ranges of diamond qualities. The Diavik production profile is a remarkably good fit to the demands of the US market, including its high-end segment. Tiffany & Co. sells a premium diamond quality range, both domestically and abroad. Aber intends to work as closely as possible with Tiffany to link our premium-quality Diavik production to the increasingly dominant and discriminating American consumer.

In recent years, the issue of the provenance of diamonds has gained prominence. Canadian origin conveys the image of natural purity, especially in the core diamond markets, and may command a premium with both American and Japanese consumers.

The agreement between Aber and Tiffany calls for Tiffany to purchase a minimum of US\$50 million per year of diamonds in defined

Aber is working with world leaders at every stage of the diamond pipeline.

The miner: Rio Tinto, one of the world's largest mining companies.

The manufacturer: Overseas Diamonds, a world leader in top-quality, Ideal Cut polished diamonds.

The retailer: Tiffany & Co., the world's most prestigious jeweler.



From left to right:
Andrew B. Adams
Vice President & Chief Financial Officer
Matthew L. Manson
Director, Marketing
S. Caroline Glasbey
Director, Investor Relations

quality ranges. The Aber share of the Diavik production is, however, capable of supplying substantially more than US\$50 million per year of Tiffany's requirements.

We have also developed a relationship with Overseas Diamonds N.V. of Antwerp, a pioneer in the manufacture of top-quality, Ideal Cut polished diamonds with manufacturing facilities in Belgium, Israel, South Africa and China. Overseas Diamonds successfully markets its production in both the United States and Japan.

Aber, in conjunction with Overseas Diamonds, intends to investigate manufacturing in the Northwest Territories as part of a certified Canadian origin marketing strategy. A test marketing exercise using the theme of Canadian origin has been initiated.

PROGRESS AT DIAVIK

The Diavik Diamond Project is now in the final stages of a three-year permitting process that has tested the patience and fortitude of administrators, northerners and investors alike. The process produced some innovative solutions to difficult jurisdictional problems among the federal and

territorial governments as well as aboriginal groups, environmental non-governmental organizations and the proponent companies. With work at the site already underway, the only outstanding licensing issues are a water licence and associated fisheries and navigable waters permits that are expected around mid-year. Participation Agreements have been completed with two aboriginal groups, including the Dogribs, the largest group in the region. Negotiations are ongoing with other affected aboriginal groups in the region.

Aber released the results of an independent bankable feasibility study for the Diavik Project on May 16, 2000. The same consulting companies responsible for the Diavik engineering and construction were engaged by Aber to complete this study. The feasibility study concluded that the overall Diavik Project resource comprises 138 million carats of diamonds in four separate kimberlite pipes. A total of 107 million carats has been assigned to the categories of proven and probable ore reserves. The largest of the four pipes, and the first to be mined, is the high-grade A-154 South deposit, which hosts 57 per cent of the reserve, or a total of 61 million carats

having an average value of US\$79 per carat. These reserves incorporate January 2000 diamond prices determined in the open market under the auspices of WWWW International Diamond Consultants Ltd., who conduct diamond valuations for the Canadian government. The study also followed the diamond industry practice of estimating actual production grades and diamond values to be expected from the commercial plant rather than using unadjusted pilot plant data.

The capital cost of the Project is estimated at \$1,286 million, including a contingency of \$134 million. The mine operating costs are estimated to be approximately \$89 per tonne for the initial 10-year open-pit mining phase and \$101 per tonne for the life-of-mine average, including the underground mining phase of the development. The Project schedule calls for commercial production to commence in mid-2003, although engineering is in progress that

may advance the time line to some extent. These estimates confirm those used in the 1999 production feasibility study. Although they may be modified as final, detailed engineering progresses, no major changes are anticipated.

The Project operator, Rio Tinto plc of London, England, is one of the largest mining companies in the world and the only major mining company, other than De Beers, with a history of diamond mining.

With \$196 million on hand and a product off-take agreement with Tiffany & Co., Aber has already made substantial progress towards providing for its share of the Project funding. We expect to complete arrangements for the balance of the funding during 2000. The Diavik Project will be one of the lowest-cost diamond mines in the world. The early years of the Project are expected to generate cash operating profits to Aber in excess of \$200 million per year.

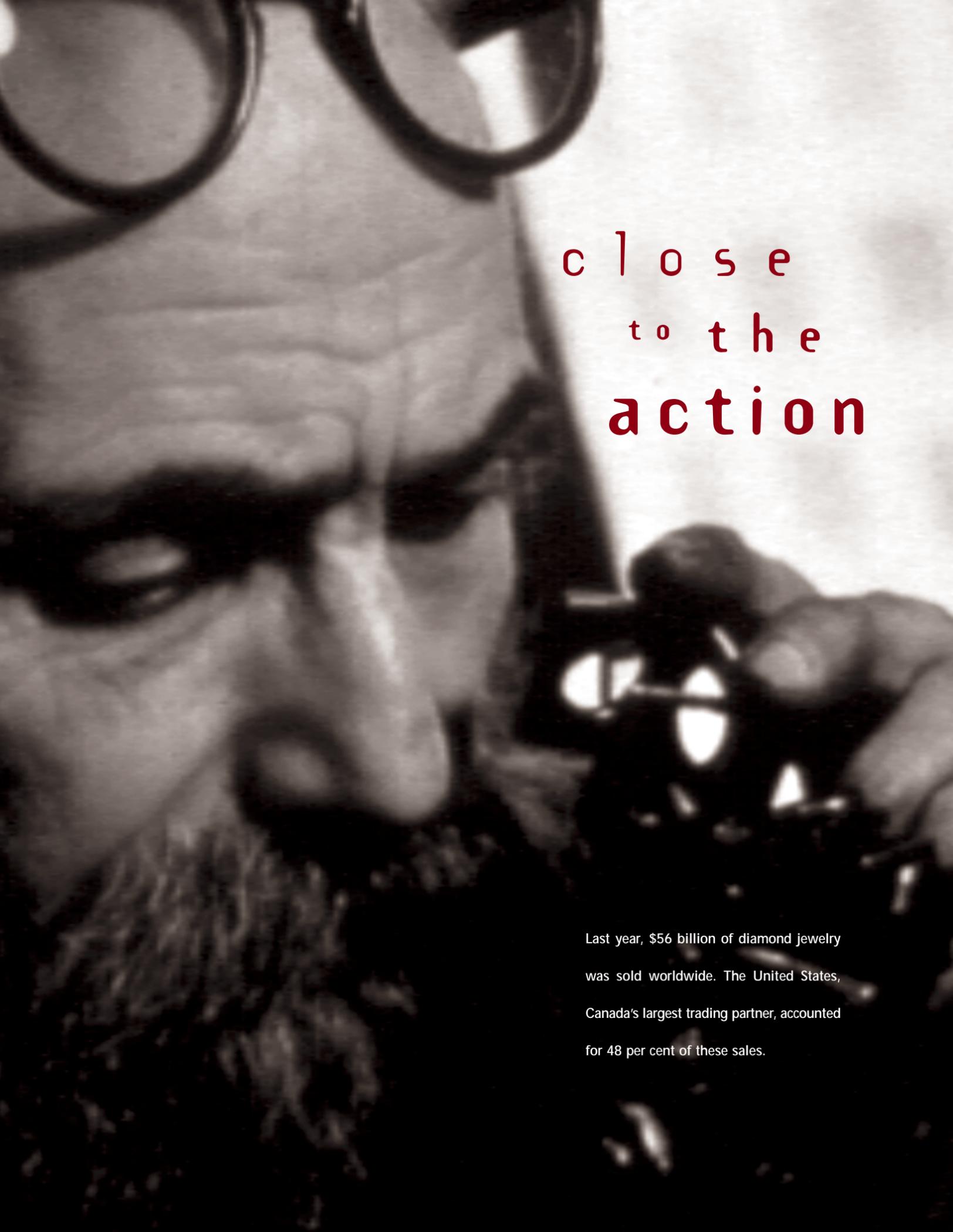
POSITIONED TO DELIVER

We see important commercial advantage in positioning Aber not as a mining company but as a Canadian diamond marketing company. Aber has developed the business relationships that enable the pursuit of this strategy. We are linked to world leaders in all aspects of our business – with Rio Tinto, the miner, Overseas Diamonds, the diamond trader and manufacturer, and Tiffany & Co., the prestigious international retailer. Aber is building the platform to deliver, to shareholders and other stakeholders, premium value from this remarkable resource base through an innovative diamond marketing strategy.

Thank you for your continued support.

John C. Lamacraft (signed)
Chairman of the Board of Directors

Robert A. Gannicott (signed)
President & Chief Executive Officer



close
to the
action

Last year, \$56 billion of diamond jewelry was sold worldwide. The United States, Canada's largest trading partner, accounted for 48 per cent of these sales.

d i a m o n d m a r k e t r e v i e w



Americans' traditional
appetite for diamonds has
established the United States
as the consumer of almost
half of the world's diamonds.

Over the last year, the diamond market recovered dramatically from earlier weakness related to economic conditions in Japan and Southeast Asia. The engine of this recovery has been the US economy, whose stunning performance, combined with Americans' traditional appetite for diamonds, has established the United States as the consumer of almost half of the world's diamonds. As recently as 1997, Japan and the United States were equal leaders in diamond consumption, with each accounting for approximately 35 per cent of the world market. The US now absorbs 48 per cent, while Japan has dropped to 14 per cent.

Although diamond jewelry sales have grown by 12 per cent, from US\$50 billion to US\$56 billion over the last year, the value of contained polished diamonds has increased 18 per cent, from US\$11 billion to US\$13 billion. This differential reflects a trading-up in size and quality, particularly in the United States. The growth in diamond consumption in the United States has been both beneficial and sustainable in that it reflects a real growth in disposable income. The American consumer has a traditional fondness

for relatively large solitaire settings and is willing to sacrifice clarity, in particular, for size. As a result, this market consumes relatively high, or white, colours of diamonds in relatively low clarities.

However, diamonds are not a homogenous product. Each diamond market has its own set of characteristics in the range of diamonds that it consumes. The current dominance of the US market has created an imbalance of demand versus mine supply in certain diamond categories. The world supply of diamonds, dominated by African production, does not produce corresponding proportions of raw material. African production tends to be richer in lower colours at higher clarities than those demanded by the US market. In the past, Southeast Asian consumers – who prize lower-coloured diamonds in high clarities – compensated for this imbalance.

The customary excellence of De Beers' advertising has played an important role in capturing, for the diamond industry as a whole, a significant share of the newly created disposable income of the US economy. A current focus of De Beers' American advertising is a three-stone ring setting

with sizeable side stones supporting a larger centre stone. The success of this campaign may well be responsible for the increased diamond content of American jewelry noted earlier.

Compared to other mineral industries, the diamond industry has relatively high product conversion costs. A margin of some 40 per cent exists between the rough diamond sale by the miner and the polished diamond purchase by the jewelry manufacturer. Although traders and manufacturers in this part of the diamond pipeline have substantial short-term needs for inventory financing, fixed-capital requirements

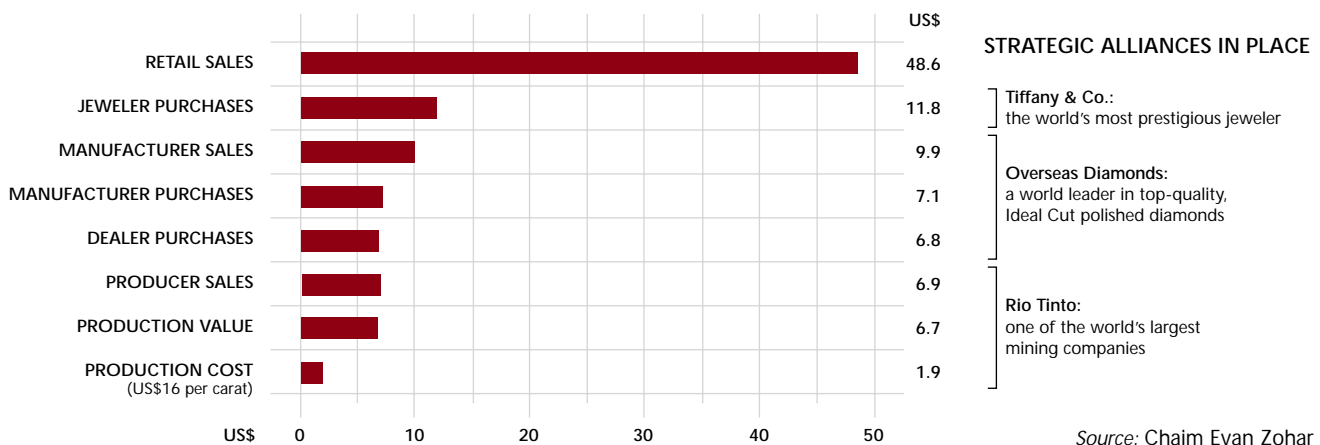
are minimal when compared to the substantial long-term capital requirements of the metallic minerals industries.

Moreover, unlike its metals industry counterparts, the diamond business has little vertical integration between miner and retailer. It seems inevitable that this will change in the new environment of competition among mine producers for market share. Alliances between miners, manufacturers and retailers can be expected to become more commonplace, with processing margins tightened in an increasingly compressed diamond pipeline.

THE DIAMOND PIPELINE 1998

(In billions of US dollars)

The value of diamonds, and diamond jewelry, at different stages of the pipeline between the mine and the retail outlet are indicated in the chart below. Aber's aim is to become integrated along the pipeline through relationships with acknowledged world leaders in the diamond industry.



aber's diamond marketing strategy



Adjacent to the world's largest economy, Aber has access to a dependable market for the core high-quality segment of its production. The diamond market is changing, and change brings opportunity.

A large proportion of the value of the Diavik production resides in diamonds having a high, white colour and a range of clarities from high to intermediate. Although the colour range is ideal for the general US marketplace, the clarity range is higher than that favoured by this market. Traditionally, Japan has consumed high-clarity diamonds in higher colours; however, the Japanese market is now weaker than in previous years. As a result, Aber has sought, through Tiffany & Co., a reliable market for a segment of its higher-clarity production.

UNWRAPPING THE PRIZE

Tiffany & Co. is the largest retailer in the world of the high-quality polished diamonds that will be the finished product from Aber's share of the Diavik diamond production. Tiffany has built brand recognition second to none in diamond retailing, on the basis of strict diamond quality standards. It continues to expand market share in the upper end of the US domestic market and has exported this success to Japan and Southeast Asia, in particular. Tiffany's products are especially successful in areas where American brand identification is strong.

The fit between Aber's supply and the demands of Tiffany's business is extraordinary. More than 60 per cent of the value of Aber's Diavik diamond production qualifies as a raw material suitable for polishing into Tiffany's product range.

Tiffany has agreed to purchase a minimum of US\$50 million per year in diamonds from Aber. This long-term off-take agreement in this high-end sector of production is prudent from the perspectives of both shorter-term financing and longer-term financial security. Unlike metals and many other mine commodities, there is no open exchange pricing for rough diamonds. The debt financing of a diamond project is in part dependent on demonstrating a secure off-take arrangement for at least a sufficient portion of the diamond production to comfortably support debt repayment. Since the diamond trading and manufacturing sector consists almost entirely of private, family businesses, there are very few credible options for such an arrangement outside of De Beers.

The sales arrangement between Aber and Tiffany will be administered through a joint venture company (Abany) owned equally by each party. This company will prepare assortments

meeting Tiffany's defined quality standards and price them through sales of small parcels of the same diamond assortments to manufacturers. The sorting and other administrative costs will be borne by both parties. Although Tiffany is to purchase at a modest discount to these prices, Aber will still receive a premium to the pricing that it could expect from the conventional

producer sales route of selling to rough dealers. The net effect is that both Aber and Tiffany share in the margin normally assigned to rough and polished dealers.

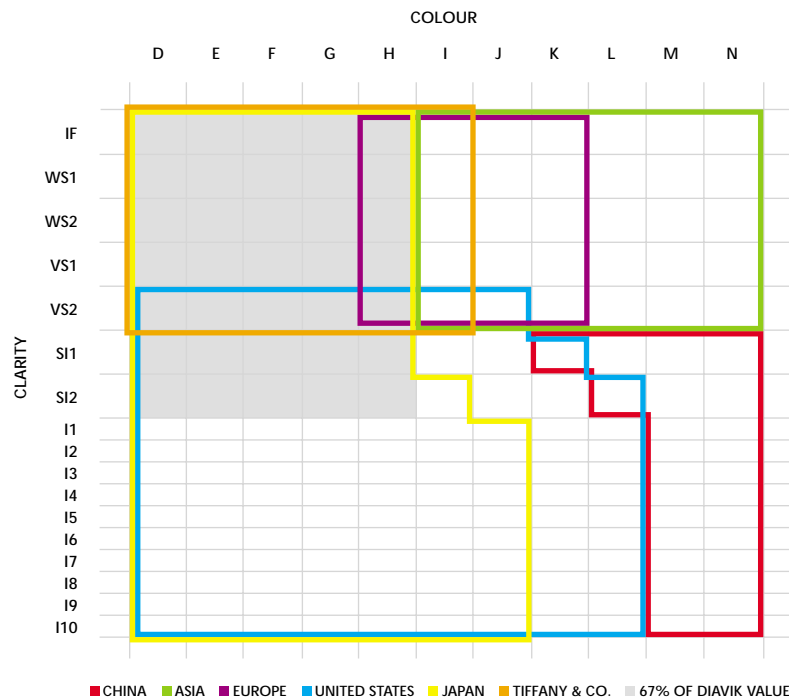
In a changing diamond world moving towards increasing vertical integration, Aber greatly values its association with the world leader in brand name diamonds.

DIAMOND RETAIL GEOGRAPHY

This map shows the main diamond markets of the world in terms of their traditional preferences for diamond colour and clarity. In recent years, the US market has absorbed high colours but generally lower qualities than the Japanese market. The Diavik production is an exceptional match for the demands of Tiffany & Co., a retailer of only the top colour, top clarity stones.

Clarity: The quality grade of a diamond, indicating the quality and nature of natural inclusions or external flaws. Polished diamond clarities range from IF (Internally Flawless) through VS (Very Small Inclusion) and SI (Small Inclusion) to I (Inclusion).

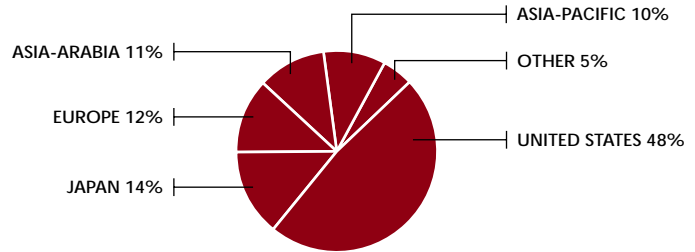
Colour: The colour grade of a diamond. Polished diamond colour grades range from D (Colourless) through H-I (Near-Colourless) and L-M (light yellow/brown) to Z.



SHARE OF RETAIL SALES 1999

Polished diamond value (US\$13 billion)

Last year, the United States accounted for 48 per cent of diamond sales by value. As recently as 1997, Japan and the United States were equal in diamond consumption.



Source: Fleming Martin Securities Ltd., May 2000

BUILDING THE BRAND

Aber has created CanaDiam, a test marketing initiative aimed at developing a special identity for its diamonds as a desirable, high-quality Canadian product. Distinct from, but complementary to, Aber's agreement with Tiffany, CanaDiam is designed to lay the groundwork for the introduction of Aber diamonds to the global marketplace in 2003.

With the new climate of sensitivity concerning the origin of diamonds, Aber, through CanaDiam, is well placed to provide the diamond market with a product supported by a certified path of production and highest-quality manufacture. We are pursuing the creation of a Canadian origin chain of custody certification as an "appellation controllee" style of brand that would complement the corporate brand image of large jewelers and would support the sales efforts of smaller ones. CanaDiam will work with relevant Canadian authorities and the International Organization for

Standardization (ISO) to provide authentication of diamond origin and manufacture.

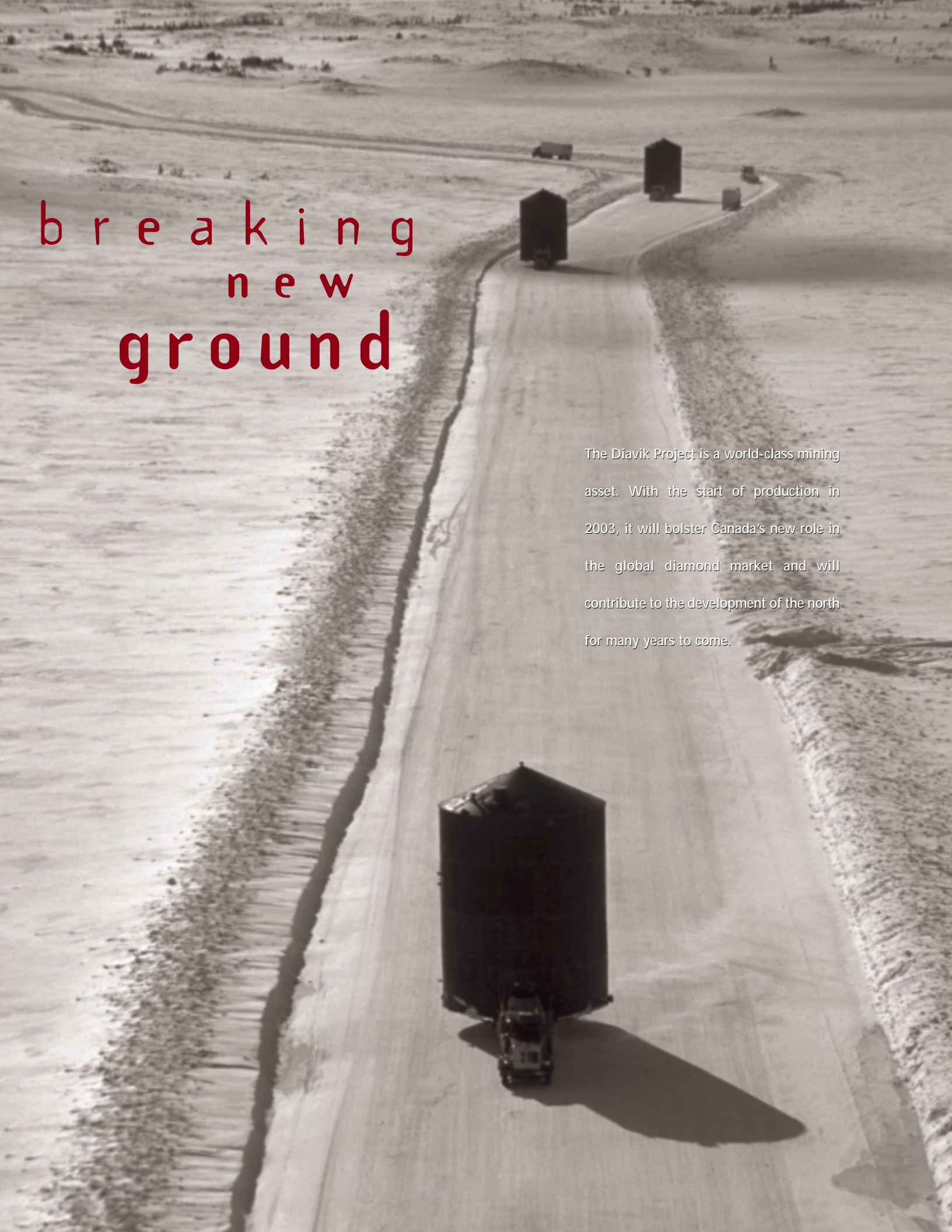
CanaDiam will provide the diamond trade, on a "business-to-business" basis, the opportunity to purchase certified Canadian diamonds manufactured to the highest industry standards. For the first time, clients will be able to purchase diamonds sold under a marque backed by an ISO certified assurance of country-of-origin – diamonds of the highest quality originating in Canada.

Canadian diamond sales, spearheaded by BHP Diamonds, have been well received by the market. Canadian origin polished diamonds are developing a special cachet, especially in the important US market. Canada and the United States are each other's largest trading partners, and Canadian-brand products already sell at a premium abroad. The targeting of Canadian diamonds directly to the US market, while a new concept to the diamond trade, is a natural marketing strategy for Aber.

Another important component of the Company's marketing strategy is its association with Overseas Diamonds N.V. of Antwerp, Belgium. Aber has a close relationship with Overseas, which is both a significant De Beers sight-holder as well as a regular buyer of Ekati™ Canadian diamond production. The company has diamond polishing facilities in Belgium, Israel, South Africa and China, all specializing in the production of top-quality, Ideal Cut polished diamonds designed to satisfy the demands of the most discerning international jewelers. This manufacturing skill base has taken many years to achieve and is not easily duplicated. The manufacturing standards adhered to by Overseas Diamonds are the perfect complement to deliver the maximum value from the high-quality raw material to be produced by Aber. Overseas has an active diamond trading business that keeps closely in touch with current market pricing, enabling the competent sale of portions of the Aber production surplus to manufacturing requirements.

out of the box
thinking

Diamonds with pedigree. The CanaDiam hallmark. Canadian Ideal Cut diamonds with internationally recognized ISO certification of origin.



breaking new ground

The Diavik Project is a world-class mining asset. With the start of production in 2003, it will bolster Canada's new role in the global diamond market and will contribute to the development of the north for many years to come.



production assets

Aber's principal mineral assets are its 40 per cent interest in the Diavik Project and its 32.24 per cent interest in the Snap Lake Project. In May 2000, the results of an independent feasibility study commissioned by Aber confirmed Diavik's status as a premier diamond deposit. Aber has also received the results of a favourable pre-feasibility study on the Snap Lake Project that indicates the potential for it to become another profitable venture and recommends proceeding to a full feasibility study.

DIAVIK

The Diavik Diamonds Project, comprising four economic diamondiferous kimberlite pipes, is located on East Island at Lac de Gras, 300 kilometres northeast of Yellowknife. Aber holds a 40 per cent interest in the Project and has the right to market its 40 per cent share of diamonds produced. Yellowknife-based Diavik Diamond Mines Inc. (DDMI), a subsidiary of Rio Tinto plc of London, owns the remaining 60 per cent joint venture interest and is the Project manager. As a member of the Rio Tinto organization, DDMI brings large mining project experience as well as diamond mining expertise.

An Eventful Year

The Diavik Project passed a number of milestones on the road towards a formal production decision.

On June 18, 1999, the Canadian Environmental Assessment Agency filed its Comprehensive Study Report. Aber received the manager's Production Feasibility Study on August 20, 1999. In November, the Project received conditional approval from the Minister of the Environment to proceed through the final phases of permitting leading to a production licence.

The process of bringing Diavik to the final permitting stage took three years of able and dedicated work, and involved comprehensive dialogue with northerners, concerned non-governmental agencies and multiple levels of government.

The Environmental Agreement for the Project, signed on March 8, 2000, sets out the environmental monitoring and reporting requirements. The agreement is the first of its kind in Canada. It calls for a majority representation by aboriginal groups on the Project's Environmental Advisory Review Board and the provision of an environmental security bond consistent with both

life-of-mine closure costs and progressive reclamation. The maximum security required for the Project as a whole is forecast to be approximately \$180 million, taking into consideration credits for progressive reclamation.

By the first week in April, all equipment required for the 2000 construction season was on site and the federal government had issued a 30-year land lease for the Project area. A mobilization delay pending the issuance of permits has had no material effect on the overall Project timeline. Two Participation Agreements have been completed with key aboriginal groups, setting the stage for the completion of this process. The required water licence is expected to be finalized around mid-year 2000, thereby enabling the conclusion of the process by the endorsement of the Ministry of Fisheries and Oceans. The Canadian Arctic Resources Committee (CARC), a non-governmental organization, has a legal challenge outstanding that is to be heard in late June.

Community Participation

Aber, together with its partner DDMI, recognizes that responsible environmental stewardship and community involvement are essential to resource

With its interests in both the Diavik and Snap Lake projects, the total share of resource inventories attributable to Aber now equals 22 million tonnes at an average grade of 3.1 carats per tonne for 69 million carats. Diavik's A-154 South pipe, at US\$412 per tonne, is one of the richest diamond deposits in the world.

development. DDMI has signed Participation Agreements with two of the five aboriginal communities party to the Environmental Agreement. The Participation Agreements provide for employment and business opportunities for members of the aboriginal groups, and affirm aboriginal support for the development, construction and operation of the Project. Aber will continue to encourage local enterprise and community participation in the evolution of this new area of opportunity for the Canadian mining industry.

Feasibility

In August 1999, DDMI reported the results of the manager's Production Feasibility Study, which was prepared by Nishi-Khon/SNC Lavalin. The Production Feasibility Study capital and operating cost estimates were a significant increase from earlier pre-feasibility estimates. Cost estimation has now been developed using +/-15 per cent contingency rather than +/-25 per cent used in the earlier study. The major capital cost increases are attributable to scope changes to the dikes and the extension of the construction period by one year.

The manager's study, which did not include an independent ore reserve assessment or detailed project financial modelling, was unsuitable for Aber's financing requirements. Consequently, Aber engaged SNC Lavalin to complete the feasibility study in a bankable format. The study was completed in May 2000 and confirmed the mine plan, including capital and operating costs as detailed in the manager's Production Feasibility Study. The May 2000 study incorporates an independent report on ore resources and reserves prepared for Aber by MRDI-Agra Simons.

The MRDI report states that the Diavik Project has estimated mineable reserves of 107 million carats of diamonds in 26 million tonnes at an average grade of 4.2 carats per tonne. The average diamond value is US\$65 per carat, or US\$271 per tonne. A-154 South, the largest pipe and the first to be mined, contains 61 million carats at an average value of US\$79 per carat, or US\$412 per tonne.

The reserves were determined using diamond prices determined from a January 2000 diamond valuation carried out in Antwerp, Belgium. The



Fuel storage tanks at Diavik site

values obtained were prior to the increase in rough prices announced by the CSO at their February sight. Diamond grades have been estimated following industry practice to reflect commercial plant operation rather than pilot plant results.

SNC-Lavalin estimates the capital cost for initial development is \$1,286 million (+/-15 per cent), including \$134 million for design allowances and contingencies. Operating costs over the first 10 years of full operation are estimated at \$89 per tonne of ore processed for 1.5 million tonnes per year.

This work confirmed Diavik as one of the highest-value diamond projects in the world. The Diavik Project is expected to repay its capital investment very rapidly, and to generate exceptional levels of earnings for years to come.

Mine Plan

Diavik's mineable kimberlite pipes are located in shallow water near the shore of Lac de Gras, adjacent to East Island. The pipes will be open-pit mined after the construction of temporary water-retaining dikes extending from the island.

Mining pipe A-154 South first is advantageous because it has the highest grade and value, and is the largest reserve. Together with A-154 North, mined from the same pit, this will supply the operation for the first 10 years. The A-418 pit is expected to commence production in 2010 and continue to 2022, with the A-21 pit operating between 2013 and 2019. A-154 South and A-418 will also be mined from underground in the later years of the Project.

The construction of the dikes represents the major capital expenditure for the Project. The first dike will be constructed from granite quarried from the Project site, with subsequent dikes using material mined from the operating open pits. The profiles of the dikes and material to be used for construction have been designed to enhance fish habitat. After construction, fish will be removed prior to de-watering of the pool behind each dike. After mine closure, the area within the dikes will be groomed for fish habitat before allowing the pits to slowly refill with water. The dikes will then be strategically breached to restore the pit areas as productive parts of Lac de Gras.

SNAP LAKE

The Snap Lake Project is located approximately 100 kilometres south of Diavik, and is operated by Winspear Diamonds Inc. of Vancouver. Aber has a 32.24 per cent interest in this deposit, a gently dipping and diamondiferous kimberlite dyke outcropping at its northwestern extent (the "NW dyke").

During 1999, Winspear had challenged Aber's right to participate in the 1999 exploration program and Aber's level of ownership in the Snap Lake Deposit. In April 2000, the British Columbia Supreme Court found in favour of Aber, and confirmed its ownership interest at 32.24 per cent. Winspear has since appealed this decision.

Pre-Feasibility

In April 2000, Winspear Resources Ltd., the manager, reported the results of a pre-feasibility study on the Snap Lake Deposit, based on the drilling to date and a 6,000 tonne surface bulk sample taken from the NW dyke in 1999. This study recommended further work to establish an ore reserve leading to a full feasibility study. With this objective, three underground bulk samples of 2,000 tonnes each will be taken in 2000.

The pre-feasibility study estimates a total mineable resource of 12.6 million tonnes at 1.75 carats per tonne and a global resource of 21.32 million tonnes at 1.97 carats per tonne. A valuation sample of 10,708 carats from

6,000 tonnes recovered from two pits on the exposed portion of the NW dyke was valued at US\$118 per carat for an in situ value of US\$232 per tonne. Capital and operating costs were estimated at \$270 million and approximately \$94 per tonne (+/-25 per cent), respectively.

Aber is encouraged by the results to date and has committed to the ongoing exploration program and feasibility study that is planned for completion early in 2001.

CONSOLIDATED RESERVES AND RESOURCES

Reserves (Proven and Probable)	Mt	Cpt	Mcts	% Holding	Attributable		US\$ per carat	US\$ per tonne
					Mt	Mcts		
Diavik A-154S	11.7	5.2	61.2	40%	4.7	24.5	\$ 79	\$ 412
Diavik A-154N	1.3	3.5	4.5	40%	0.5	1.8	\$ 33	\$ 115
Diavik A-418	8.7	3.4	29.3	40%	3.5	11.7	\$ 56	\$ 190
Diavik A-21	4.0	3.0	11.7	40%	1.6	4.7	\$ 28	\$ 83
Snap Lake	–	–	–	32.24%	–	–	–	–
TOTAL	25.7	4.2	106.7		10.3	42.7	\$ 65	\$ 271
Resources (Measured, Indicated and Inferred)								
Diavik A-154S	12.0	5.3	63.9	40%	4.8	25.6	n/a	
Diavik A-154N	11.5	2.4	27.5	40%	4.6	11.0	n/a	
Diavik A-418	9.1	3.5	31.9	40%	3.6	12.8	n/a	
Diavik A-21	5.0	3.0	14.8	40%	2.0	5.9	n/a	
Snap Lake	21.3	2.0	42.0	32.24%	6.9	13.5	\$ 118*	\$ 232*
TOTAL	58.9	3.1	180.1		21.9	68.8	n/a	

*Based on a 10,708 carat parcel recovered from surface sampling

Totals may not add up due to rounding.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and corresponding notes.

Net Income

Aber's net loss for the fiscal year ended January 31, 2000 totalled \$5,565,802 or \$0.11 per share, compared with an earnings of \$302,374 or \$0.01 per share a year earlier. The prior year results have been restated to retroactively reflect the recent Canadian Accountants recommendation on "Accounting for Income Taxes." The latest results include a write-down of \$8,537,691 of mineral properties, \$3,500,000 provision for closure of the Vancouver office and \$34,682 write-down of investments in securities. A year earlier, results included a write-down of \$75,352 of investments in securities. Management does not consider these results to be a meaningful measure of performance at this stage in the Company's development.

Revenue

Aber's revenue totalled \$8,458,381, up 68 per cent from \$5,019,949 a year earlier. The revenue in both years was attributable to interest income. The increase is due to higher cash balances available for investment. Aber completed a private placement of 8,000,000 shares in July 1999 which netted \$103.9 million, as well as a \$102.9 million (\$98.5 million after expenses) equity financing in June 1998.

Expenses

Aber's expenses increased during the latest fiscal year to \$15,939,819, up from \$2,981,814 a year earlier. Current year's costs include \$12,072,373 of provisions and write-downs referred to above. Ongoing expenditures amounted to \$3,867,446, up 33 per cent from the prior year. General and administrative expenses were \$3,817,050, up 34 per cent from \$2,856,875. The increase was due to higher staffing levels and expenditure relating to the Diavik Project and marketing initiatives. All exploration properties other than Camsell Lake and the Diavik Project were written off after the decision to stop general exploration and focus on

Aber's two major properties. The write-down of investments in securities of \$34,682 compared with \$75,352 in the previous year reflects a decline in the market price of shares held in two junior mining companies.

Aber posted a net tax benefit of \$1,915,636 compared to a provision of \$1,735,761 in the previous year. This benefit was mainly due to the tax effect on the net loss referred to above. Large corporation taxes expensed in the year totalled \$807,881 compared with \$546,219 a year earlier. The increase arises from the approximate \$100 million increase of Aber's asset base.

Liquidity and Cash Resources

During the year ended January 31, 2000, the Company increased working capital to \$194,131,544, up 62 per cent from \$119,535,915 the previous year. As of January 31, 2000, Aber had \$196,266,869 in cash and short-term investments, compared with \$121,204,829 a year earlier. The short-term investments are made up of the highest quality of commercial paper. These very liquid, securitized money market instruments are distributed through Canada's major Schedule I chartered banks and can be sold prior to maturity. At January 31, 2000 the latest maturity date was February 29, 2000. The increase in cash and short-term investments from January 31, 1999 was attributable to the Company's financing activities, which significantly exceeded the Company's capital requirements for the year.

Financing Activities

During the fiscal year ended January 31, 2000, the Company received \$104,700,538 from the issue of 8,103,437 shares. This included proceeds of \$103,894,749, after costs, from the private placement of 8,000,000 common shares with Tiffany & Co., and \$805,789 from the issue of 103,437 shares on the exercise of share purchase options. During the previous year, the Company received

\$105,024,930 from the issue of 7,300,000 shares. This included proceeds of \$98,476,929, after costs, from the issue of 7,000,000 common shares in an underwriting; \$6,226,251, after costs, from the issue of 275,000 shares on a flow-through basis pursuant to a subscription agreement entered into in January 1997; and \$321,750 from the issue of 25,000 shares on the exercise of share purchase options.

Investing Activities

Investing activities with respect to mineral property expenditures were \$26,008,478 during the year, up 42 per cent from \$18,299,328 a year earlier. The most significant investment in both periods was for the Diavik properties. In the latest period, Aber invested \$23,906,574 in the Diavik properties, mainly for the feasibility study on the Project, the permitting process, construction engineering and exploration. The previous year, Aber invested, net of premiums for flow-through shares, \$15,300,497 in the Diavik properties, mainly for the feasibility study, the permitting process and exploration.

Other major exploration costs in both periods were for the Camsell Lake Project. Expenditures at Camsell Lake were \$213,261, down from \$461,591 a year earlier. By the end of the year, \$4,554,734 has been accrued for disputed amounts and unpaid invoices. In a judgment released by the Supreme Court of British Columbia on April 10, 2000, it was confirmed that the Company will retain its 32.24 per cent interest in the Camsell Lake property, provided it makes a payment to Winspear of \$4,005,820 by May 10, 2000 for its proportionate share of the

1999 program. For the other exploration properties, the Company spent \$1,888,283 this year compared to \$1,395,990 in the prior year.

Outlook

Aber is likely to earn approximately the same income, from interest on its cash balances, in the current fiscal year ending January 31, 2001. Significant net income is not expected until after the Company achieves production from the Diavik Diamonds Project. Activities currently in progress at the Project include the construction of the mine and participation in the regulatory process to obtain the final permits for construction. During the current fiscal year, costs for the Diavik Diamonds Project are budgeted at \$236 million, of which Aber's share is approximately \$94 million.

The Company will also continue to explore and contribute to the Snap Lake Project at Camsell Lake. A budget of \$49 million, of which Aber's share is \$16 million, has been approved for 2000. The 2000 budget includes the preparation of a pre-feasibility study as well as the execution of an advanced exploration program and a feasibility study.

Aber's cash and cash equivalents as at January 31, 2000 provide the Company with sufficient funds for the current fiscal year. Aber intends to pay for its 40 per cent share of the capital cost of the Diavik Diamonds Project, for which additional financing will be required in 2001.

Forward-Looking Statements

For information about the risks Aber faces, please refer to the Safe Harbour Statement on page 34.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, who are appointed by the shareholders, conduct an audit in accordance with generally accepted auditing standards to allow them to express an opinion on the financial statements.

The Board of Directors' Audit Committee meets periodically with management to review the financial statements and related reporting matters, and meets annually with the independent auditors to review the scope and results of the annual audit prior to approval of the financial statements by the entire Board.

John C. Lamacraft (signed)
Chairman of the Board of Directors

Robert A. Gannicott (signed)
President & Chief Executive Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Aber Resources Ltd. as at January 31, 2000 and 1999, and the consolidated statements of earnings and deficit and cash flows for each of the years in the three-year period ended January 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2000 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants (signed)
Toronto, Canada
April 11, 2000

CONSOLIDATED BALANCE SHEETS

January 31, 2000 and 1999

(Expressed in Canadian dollars)

	2000	1999
		(RESTATED – NOTE 6)
Assets		
Current assets:		
Cash and cash equivalents	\$ 118,160,833	\$ 72,410,329
Money market instruments	78,106,036	48,794,500
Accounts receivable	3,192,420	137,088
Prepaid expenses	123,594	127,776
	199,582,883	121,469,693
Deferred mineral property costs (note 4)	114,838,384	92,813,223
Investments in securities	41,961	76,643
Furniture and equipment, net of accumulated depreciation of \$5,142 (1999 – \$182,017)	53,750	228,639
	\$ 314,516,978	\$ 214,588,198
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,451,339	\$ 1,933,778
Future income tax liability	14,291,426	17,014,943
Shareholders' equity:		
Share capital (note 5):		
Authorized: 100,000,000 common shares without par value		
Issued: 53,881,320 common shares (1999 – 45,777,883)	320,671,149	215,970,611
Deficit	(25,896,936)	(20,331,134)
	294,774,213	195,639,477
Commitments and contingencies (notes 4 and 7)		
Subsequent events (notes 4 and 7)		
	\$ 314,516,978	\$ 214,588,198

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

John C. Lamacraft (signed)

Robert A. Gannicott (signed)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

Years ended January 31, 2000, 1999 and 1998

(Expressed in Canadian dollars)

	2000	1999	1998
		(RESTATED – NOTE 6)	(RESTATED – NOTE 6)
Revenue:			
Interest	\$ 8,458,381	\$ 5,019,949	\$ 1,463,806
Expenses:			
Depreciation	35,931	49,587	35,813
Write-down of:			
Deferred mineral property costs	8,537,691	–	741,280
Furniture and equipment	14,465	–	–
Investments in securities	34,682	75,352	185,963
Closure of Vancouver office	3,500,000	–	–
General and administrative	3,817,050	2,856,875	2,140,175
	15,939,819	2,981,814	3,103,231
Earnings (loss) before taxes	(7,481,438)	2,038,135	(1,639,425)
Income taxes (recovery) (note 6)	(1,915,636)	1,735,761	(398,722)
Net earnings (loss)	(5,565,802)	302,374	(1,240,703)
Deficit, beginning of year	(20,331,134)	(20,633,508)	(19,392,805)
Deficit, end of year	\$ (25,896,936)	\$ (20,331,134)	\$ (20,633,508)
Earnings (loss) per share (note 2(k))	\$ (0.11)	\$ 0.01	\$ (0.03)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended January 31, 2000, 1999 and 1998

(Expressed in Canadian dollars)

	2000	1999	1998
		(RESTATED – NOTE 6)	(RESTATED – NOTE 6)
Cash provided by (used in):			
Operations:			
Net earnings (loss)	\$ (5,565,802)	\$ 302,374	\$ (1,240,703)
Items not involving cash:			
Write-down of:			
Deferred mineral property costs	8,537,691	–	741,280
Investment in securities	34,682	75,352	185,963
Furniture and equipment, including Vancouver office	217,580	–	–
Depreciation	35,931	49,587	35,813
Future income taxes	(2,723,517)	1,189,542	(405,101)
Change in non-cash operating working capital	(4,087,963)	2,081,719	(544,909)
	(3,551,398)	3,698,574	(1,227,657)
Financing:			
Issue of and subscriptions for common shares, for cash, net of issue expenses	104,700,538	105,024,930	19,680,067
Investments:			
Deferred mineral property costs, net of non-cash working capital changes	(26,008,478)	(18,299,328)	(19,029,030)
Furniture and equipment	(78,622)	(90,272)	(89,403)
Money market instruments	(29,311,536)	(48,794,500)	–
	(55,398,636)	(67,184,100)	(19,118,433)
Increase (decrease) in cash and cash equivalents	45,750,504	41,539,404	(666,023)
Cash and cash equivalents, beginning of year	72,410,329	30,870,925	31,536,948
Cash and cash equivalents, end of year	\$ 118,160,833	\$ 72,410,329	\$ 30,870,925
Change in non-cash operating working capital:			
Accounts receivable	\$ (3,055,332)	\$ 736,567	\$ (385,526)
Prepaid expenses	4,182	32,725	(160,501)
Accounts payable and accrued liabilities	(1,036,813)	1,312,427	1,118
	\$ (4,087,963)	\$ 2,081,719	\$ (544,909)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended January 31, 2000, 1999 and 1998

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS:

The Company is incorporated under the laws of British Columbia and its principal business activities include the development, production and marketing of Canadian diamonds.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Aber Diamond Mines Ltd. and Aberex Minerals Ltd., and its proportionate interest in joint venture activities.

(b) Cash and cash equivalents and money market instruments:

Cash and cash equivalents consist of cash on hand, balances with banks and short-term money market instruments (maturity on acquisition of less than 90 days) which are carried at amortized cost, which approximates market.

Money market instruments with maturity on acquisition of more than 90 days are carried at amortized cost, which approximates market.

(c) Investments in securities:

Investments in securities are carried at cost less provision for an impairment in value which is considered to be other than temporary. Average cost is used in determining the gain or loss on sale of securities.

(d) Deferred mineral property costs:

All mineral claim acquisition costs and exploration and development expenditures in the pre-production stage relating to mineral properties, net of any recoveries, are capitalized. General exploration expenditures which do not relate to specific resource properties are expensed in the period incurred.

The deferred exploration and development costs related to a property from which there is production, together with the costs of production equipment, will be depleted and depreciated on the unit-of-production method based upon estimated proven and probable reserves.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration and development activities that are warranted in the future. If there is little prospect of the Company or its partners continuing to explore or develop a property, the deferred costs related to that property are written down to the estimated recoverable amount based on undiscounted cash flows.

(e) Environmental and site reclamation costs:

Estimated environmental and site reclamation costs will be provided for on a unit-of-production basis.

(f) Furniture and equipment:

Furniture and equipment are stated at cost and are depreciated on the declining-balance method using the following annual rates:

Furniture	20%
Equipment	20%
Vehicles	30%

(g) Share capital:

Proceeds received on the issuance of flow-through shares are allocated as follows:

- (i) the market value of the shares on the date of the agreement, together with interest on unexpended subscriptions, net of any associated future income tax liability, is credited to share capital; and
- (ii) the excess of the proceeds over the amount credited to share capital, which is attributed to the value of the tax benefits flowed through to subscribers, is applied against mineral exploration expenditures.

(h) Income taxes:

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and the tax basis of assets and liabilities.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period during which the change in tax rates is considered to be substantially enacted.

(i) Employee stock option plan:

The Company has an employee stock-based option plan, which is described in note 5. Any consideration paid by the employees on the exercise of the stock options or purchase of stock is credited to share capital.

(j) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of deferred mineral property costs and reclamation obligations. Financial results as determined by actual events could differ from those estimates.

(k) Earnings (loss) per share:

The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding during the year, being 49,808,690 (1999 – 42,716,466; 1998 – 41,145,100).

The assumed conversion of outstanding common share options has an anti-dilutive impact on loss per share in 2000 and 1998 and an immaterial effect in 1999.

3. FINANCIAL INSTRUMENTS:

The fair values of the Company's cash and cash equivalents, money market instruments, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The quoted market value for investment in securities is \$62,960 (1999 – \$76,643).

4. DEFERRED MINERAL PROPERTY COSTS:

	Balance	Fiscal year		Balance
	January 31, 1999	expenditures	Write-downs	January 31, 2000
Diavik	\$ 82,204,137	\$ 23,906,574	\$ –	\$ 106,110,711
Camsell Lake	3,959,678	4,767,995	–	8,727,673
West Greenland	3,805,604	504,485	4,310,089	–
Kuujua	2,553,320	84,934	2,638,254	–
Sunrise	273,552	87,417	360,969	–
Crystal and Gem	16,928	905,488	922,416	–
Other	4	305,959	305,963	–
	\$ 92,813,223	\$ 30,562,852	\$ 8,537,691	\$ 114,838,384

	Balance	Fiscal year		Balance
	January 31, 1998	expenditures	Write-downs	January 31, 1999
Diavik	\$ 66,903,640	\$ 15,300,497	\$ –	\$ 82,204,137
Camsell Lake	3,498,087	461,591	–	3,959,678
West Greenland	2,887,450	918,154	–	3,805,604
Kuujua	2,323,779	229,541	–	2,553,320
Sunrise	42,185	231,367	–	273,552
Crystal and Gem	–	16,928	–	16,928
Other	4	–	–	4
	\$ 75,655,145	\$ 17,158,078	\$ –	\$ 92,813,223

	Balance	Fiscal year		Balance
	January 31, 1997	expenditures	Write-downs	January 31, 1998
Diavik	\$ 53,428,587	\$ 13,475,053	\$ –	\$ 66,903,640
Camsell Lake	2,246,707	1,251,380	–	3,498,087
West Greenland	1,411,103	1,476,347	–	2,887,450
Kuujua	2,311,672	12,107	–	2,323,779
Thye Lake	714,756	26,524	741,280	–
Sunrise	29,412	12,773	–	42,185
Other	4	–	–	4
	\$ 60,142,241	\$ 16,254,184	\$ 741,280	\$ 75,655,145

The Company is in the process of exploring its mineral properties. Based on a feasibility study, the Diavik property contains commercially mineable reserves. The Company has not yet determined whether other properties contain economically recoverable reserves.

The recoverability of amounts capitalized as deferred mineral property costs is dependent upon the Company's ability to establish sufficient economically recoverable ore reserves and profitable operations or the profitable disposition of its interests.

The Company has various commitments relating to its interest in mineral properties which are in the normal course of business. The ability of the Company to maintain its interest in its properties by contributing its share of exploration and development expenditures is dependent upon its ability to raise additional funds. The amounts shown as deferred mineral property costs represent net costs to date less amounts written down and do not necessarily represent present or future values.

(a) Diavik:

The Company holds a 40 per cent joint venture interest in the core Diavik group of mineral claims. Diavik Diamond Mines Inc. ("DDMI"), a subsidiary of Rio Tinto plc, is the operator of the joint venture and holds the remaining 60 per cent interest. The core claims are subject to aggregate royalties of approximately 2 per cent.

In March 1998, the Company and DDMI filed the Project Description for the Diavik Diamond Project with the Canadian federal government. The filing commenced the environmental assessment process for a proposed diamond mine at the Diavik site. In August 1999, a project feasibility study was completed.

In November 1999, the Project received approval from the Minister of the Environment to proceed through the final phases of permitting leading to production. The Northwest Territories Water Board public hearings took place in December 1999 as part of the process to grant a Class A water licence.

In March 2000, the federal government's Department of Indian Affairs and Northern Development ("DIAND") signed an Environmental Agreement and issued an interim land use permit for the Diavik Project. The permit allows DDMI to commence site preparation work for the mine operations. Also in March 2000, the land lease permit was granted to DDMI for a term of 20 years.

The Company also has interests ranging from 10 per cent to 44.4 per cent in properties adjoining the core Diavik property. Some of these properties are subject to aggregate royalties of approximately 2.5 per cent.

(b) Camsell Lake:

The Company holds a 32.24 per cent interest in the Haywood claims and a 45 per cent interest in the Athenia claims, comprising the Camsell Lake property. Winspear Resources Ltd. ("Winspear") holds the remaining interest and is the project operator. The property is subject to a 4 per cent Gross Overriding Royalty for diamonds, 3 per cent of which royalty can be purchased from the holder for a total of \$2,000,000.

At January 31, 2000, there was a dispute between the Company and Winspear regarding the exercise of the Company's rights as joint venture owner in the Haywood claims of the Camsell Lake Diamond Project. The dispute involved the Company's participation in the exploration program for 1999. The Company was informed that Winspear took the position that the Company was deemed to have elected not to participate in the 1999 program and that Winspear intended to pay for the entire 1999 program and thereby reduce the Company's 32.24 per cent interest in the project to approximately 15 per cent.

In a judgment released by the Supreme Court of British Columbia on April 10, 2000, it was confirmed that the Company is entitled to its 32.24 per cent interest in the Camsell Lake property, provided it makes a payment to Winspear of \$4,005,820 by May 10, 2000 for its proportionate share of the 1999 program. This amount has been accrued by the Company as at December 31, 1999.

(c) West Greenland:

In November 1999, the Company renegotiated the diamond exploration agreement entered into during the year ended January 31, 1997 between

the Company and Platinova A/S ("Platinova"), a company with which the Company has certain common directors.

The Company sold to Platinova its interests in the property in exchange for a royalty interest (2 per cent of gross diamond sales proceeds, 1 per cent net smelter return for all gold and precious metals and 1 per cent net smelter return for base metals from the Company's former area of interest in the property) and the right to market all diamonds produced from the Company's former area of interest in the property. The Company has written off the deferred exploration expenses incurred by the Company on this property of \$4,310,089 in 1999.

(d) Other properties:

On February 7, 2000, the Company sold to Navigator Exploration Corp., a company with which the Company has certain common directors, its interests in Kuujjua, Crystal, Gem, Contwoyto, Anki, SP, Point Itchen, Bugow and Ulu in exchange for a 2 per cent overriding royalty and the right to market a percentage of all diamonds produced from the properties, proportionate to the Company's former interest in these properties. For each property, Navigator can purchase half of the royalty (1 per cent) by paying the Company \$2.5 million. In addition, the Company sold to Navigator Exploration Corp. its interest in the White Wolf property in exchange for a 2 per cent overriding royalty. For White Wolf, Navigator may purchase half of the royalty (1 per cent) for \$3.5 million. Pursuant to the sale agreement, the Company has written off the deferred exploration expenses incurred by the Company in these properties of \$3,866,633 in 1999.

5. SHARE CAPITAL:

(a) Issued:

	Number of shares	Amount
Balance, January 31, 1997, restated (note 6)	37,067,883	\$ 95,715,540
Shares issued for:		
Cash on exercise of options	535,000	1,940,450
Cash on exercise of warrants, net of issue costs	500,000	9,489,617
Common shares subscribed for but not issued (net of premium on subscription of \$337,500 and associated tax benefits) (iv)	375,000	4,217,466
Balance, January 31, 1998	38,477,883	111,363,073
Shares issued for:		
Cash on exercise of options	25,000	321,750
Cash on sale of shares (ii and iii)	7,275,000	104,285,788
Balance, January 31, 1999	45,777,883	215,970,611
Shares issued for:		
Cash on exercise of options	103,437	805,789
Cash on sale of shares (i)	8,000,000	103,894,749
Balance, January 31, 2000	53,881,320	\$ 320,671,149

(b) Financings:

- (i) In July 1999, the Company completed an equity financing of 8,000,000 shares at a price of \$13 per share with Tiffany & Co. The net proceeds, after costs and commissions, were \$103,894,749.
- (ii) In June 1998, the Company completed an equity financing of 7,000,000 shares at a price of \$14.70 per share. The net proceeds, after costs and commissions net of related tax benefit, were \$100,463,888.
- (iii) In July 1998, the Company issued 275,000 shares on a flow-through basis at a price of \$22.75 pursuant to a subscription agreement entered into in January 1997. The net proceeds after costs and related future tax liabilities were \$3,821,900. A premium of \$1,141,250 was credited to the

deferred mineral property costs relating to the Diavik property. The flow-through agreement required the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties.

- (iv) In March 1998, the Company issued 375,000 shares on a flow-through basis at a price of \$22 per share pursuant to a subscription agreement entered into in November 1996. The gross proceeds of \$8,250,000 were received during the year ended January 31, 1998. The gross proceeds included a \$337,500 premium that was credited to the deferred mineral property costs relating to the Diavik property. The flow-through agreement required the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties.

(c) **Common share options:**

Under the Employee Stock Option Plan, approved in April 1997, the Company may grant options to its employees for up to 2,500,000 shares of common stock. Options may be granted to any director, officer, employee or consultant of the Company or any of its affiliates. The number of shares reserved for issuance to any one Optionee

pursuant to options cannot exceed 5 per cent of the issued and outstanding common shares of the Company at the date of grant of such options.

The exercise price of each option cannot be less than the fair market value of the shares on the last trading day preceding the date of the grant. The maximum term of an option is 10 years.

Changes in share options outstanding are as follows:

	2000		1999		1998	
	Weighted average exercise price		Weighted average exercise price		Weighted average exercise price	
	Options		Options		Options	
	(thousands)		(thousands)		(thousands)	
Outstanding, beginning of year	1,980	\$ 14.52	1,850	\$ 14.75	2,195	\$ 11.49
Granted	1,375	9.78	455	18.23	190	21.10
Exercised	(103)	7.79	(25)	12.87	(535)	3.63
Expired	(1,065)	18.49	(300)	20.38	–	–
	2,187	\$ 10.10	1,980	\$ 14.52	1,850	\$ 14.75

The following summarizes information about stock options outstanding at January 31, 2000:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price	Number exercisable	Weighted average exercise price
	(thousands)			(thousands)	
\$ 7.87 – \$ 9.15	1,577	5.9	\$ 8.51	889	\$ 8.16
10.60 – 10.85	255	9.1	10.65	64	10.65
12.87 – 14.35	145	5.1	13.58	93	13.15
18.95	210	8.1	18.95	105	18.95
	2,187		\$ 10.10	1,151	\$ 9.68

Subsequent to January 31, 2000, directors were granted 135,000 common share options at an exercise price of \$9.10, expiring in the year 2010.

6. INCOME TAXES:

(a) The income tax provision consists of the following:

	2000	1999	1998
Current expense	\$ (807,881)	\$ (546,219)	\$ (6,379)
Future recovery (expense)	2,723,517	(1,189,542)	405,101
	\$ 1,915,636	\$ (1,735,761)	\$ 398,722

During the year ended January 31, 2000, \$695,889 was paid for Large Corporations Tax.

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2000 and 1999 are as follows:

	2000	1999
Future tax assets:		
Furniture and equipment	\$ 110,227	\$ 28,768
Net operating loss carryforwards	959,608	–
Issue costs	1,322,903	1,791,870
Other	393,247	393,247
Total gross future income tax assets	2,785,985	2,213,885
Future tax liabilities:		
Deferred mineral properties, principally due to flow-through shares	(17,077,411)	(19,228,828)
Total future income tax liability	\$ (14,291,426)	\$ (17,014,943)

(c) The difference between the amount of the reported consolidated income tax provision and the amount computed by multiplying the earnings (loss) before income taxes by the statutory tax rate of 44.62 per cent is a result of the following:

	2000	1999	1998
Expected income tax recovery (expense)	\$ 3,248,978	\$ (909,416)	\$ 731,511
Resource allowance	(481,891)	(282,594)	(222,594)
Non-deductible items	(8,846)	(13,635)	(2,035)
Large Corporations Tax	(807,881)	(546,219)	(6,379)
Other	(34,724)	16,103	(101,781)
Recorded income tax recovery (expense)	\$ 1,915,636	\$ (1,735,761)	\$ 398,722

(d) As described in note 2, the Company accounts for income taxes using the liability method in accordance with the recent Canadian Institute of Chartered Accountants recommendations on "Accounting for Income Taxes."

The Company adopted the liability method of accounting for income tax in the current year. Prior periods have been restated and a credit of \$388,597 has been taken to retained earnings, a charge of \$13,647,923 to share capital and a future income tax liability of \$13,259,326 recorded at February 1, 1997.

Prior years' earnings have been restated to retroactively reflect this change in accounting for income taxes, and the cumulative effect of the changes as at January 31, 1997 is reported as an adjustment to opening shareholders' equity.

	1999	1998
Net earnings (loss), as previously reported	\$ 1,491,916	\$ (1,645,804)
Effect of change in accounting for income taxes	(1,189,542)	405,101
Net earnings (loss), as restated	\$ 302,374	\$ (1,240,703)
Earnings per share, as previously reported	\$ 0.03	\$ (0.04)
Effect of change in accounting for income taxes	(0.02)	0.01
Earnings per share, as restated	\$ 0.01	\$ (0.03)

7. ENVIRONMENTAL:

The Company's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. Under current regulations, the Company is required to reclaim its sites and adhere to certain standards to minimize the environmental impact from its exploration and development activities. The impact, if any, of future legislative or regulatory changes cannot be determined.

In March 2000, an environmental agreement was signed by the Department of Indian Affairs and Northern Development (representing the Government of Canada) and the Department of Resources, Wildlife and Economic Development (representing the Government of Northwest Territories) and DDML, as operator of the Project. This agreement sets out the environmental monitoring and reporting requirements for the Project. The agreement also sets out conditions for the reclamation security deposit requirements for the Diavik

Diamond Project, which begin at \$15 million (100 per cent) for the year 2000 increasing to \$50 million (100 per cent) by 2003. The maximum security required for the Project as a whole is forecast to be approximately \$180 million, taking into consideration credits for progressive reclamation.

The security deposit requirements can be satisfied by a combination of letters of credit, qualified environmental trusts and cash.

In addition, the Diavik Diamond Project shall provide funds for the annual budget of the Environmental Advisory Monitoring Board, a non-profit organization to be established within 60 days of the agreement coming into effect, as follows:

- \$600,000 for each of the first two years after its establishment;
- and from year 3 onwards the funding will be adjusted upwards for positive changes in the average Consumer Price Index.

CORPORATE DIRECTORY

Board of Directors

James N. Fernandez ^{1,2,3}

Executive Vice-President of Tiffany & Co. of New York. Director since July 1999.

Robert A. Gannicott

President & Chief Executive Officer since September 1999. Director since 1992.

Kenneth G. Hanna ³

Corporate Director. Director since 1996.

John C. Lamacraft

Chairman since September 1999.
Director since February 1996.

Honourable Donald S. Macdonald, P.C., C.C. ^{1,2,3}

Corporate Director. Formerly Canada's Minister of Finance, Minister of Energy, Mines & Resources, Minister of National Defence, President of the Privy Council and High Commissioner of Canada to Britain. Director since February 1999.

John H. Parker, O.C. ^{1,2,3}

Corporate Director. Formerly Commissioner of the Northwest Territories and Mayor of Yellowknife. Director since December 1992.

J. Roger B. Phillimore ^{1,2}

Corporate Director. Director since November 1994.

D. Grenville Thomas ³

Corporate Director. Honorary Chairman & Founder. Director since July 1980.

Eira M. Thomas ¹

President, Navigator Exploration Corp.
Director since April 1998.

¹ Audit Committee

² Compensation Committee

³ Nominating & Corporate Governance Committee

Transfer Agent & Registrar

Montreal Trust Company of Canada
151 Front Street West
Toronto, Ontario, Canada M5J 2N1

Head Office

Aber Resources Ltd.
Suite 1414, 181 University Avenue
Toronto, Ontario, Canada M5H 3M7
Tel: (416) 362-2237
Fax: (416) 362-2230
E-mail: aber@aber.ca
Internet: www.aber.ca

Senior Officers & Management

D. Grenville Thomas

Honorary Chairman

John C. Lamacraft

Chairman of the Board

Robert A. Gannicott

President & Chief Executive Officer

Andrew B. Adams

Vice President & Chief Financial Officer

Michael E. Ballantyne

Vice President, Northern Affairs

S. Caroline Glasbey

Director, Investor Relations

Matthew L. Manson

Director, Marketing

Josie Romita

Controller

Lyle R. Hepburn

Corporate Secretary

Annual Meeting of Shareholders

TSE Conference Centre
Toronto Stock Exchange
Lobby, The Exchange Tower
2 First Canadian Place
Toronto, Ontario, Canada
Thursday, July 27, 2000
3:30 p.m.

Auditors

KPMG LLP
Chartered Accountants
Suite 3300, Commerce Court West
Toronto, Ontario, Canada M5L 1B2

Legal

Beach, Hepburn
Barristers & Solicitors
Suite 1000, 36 Toronto Street
Toronto, Ontario, Canada M5C 2C5

Stikeman, Elliott
Barristers & Solicitors
Suite 5300, Commerce Court West
Toronto, Ontario, Canada M5L 1B9

Stock Symbols & Exchanges

Toronto Stock Exchange: ABZ
NASDAQ: ABERF

ABER RESOURCES LTD. STOCK TRADING HISTORY

	Feb. 1, 1999 to Jan. 31, 2000		Feb. 1, 1998 to Jan. 31, 1999	
	TSE C\$	NASDAQ US\$	TSE C\$	NASDAQ US\$
High	16.10	10.81	19.50	13.75
Low	7.10	4.88	6.80	4.38
Close	8.10	5.75	10.00	6.75
Average Daily Volume	115,181	6,726	91,615	11,473

Capitalization:*

Authorized: 100,000,000
Issued: 53,881,320
Fully Diluted: 56,203,320

*As of April 30, 2000

GLOSSARY

Assortment: A collection of diamonds sorted into parcels by size, colour or clarity for the purposes of valuation or sale.

Bulk Sample: A large excavated rock sample, as much as several thousand tonnes, taken from one site to obtain a significant quantity of diamonds for valuation.

Carat: Unit used to measure gemstones, equal to 200 milligrams or 0.2 grams. For smaller gems, 100 points are equal to one carat.

Clarity: The quality grade of a diamond, indicating the quality and nature of natural inclusions or external flaws. Polished diamond clarities range from IF (Internally Flawless) through VS (Very Small Inclusion) and SI (Small Inclusion) to I (Inclusion).

Colour: The colour grade of a diamond. Polished diamond colour grades range from D (Colourless) through H-I (Near-Colourless) and L-M (light yellow/brown) to Z.

Cut: The shape, and perfection of finish, of a polished diamond. Cut grades range from Fair to Ideal.

Diamond: A crystallized variety of pure carbon that may be of gem quality.

Dike: A temporary structure used to retain or restrict water flow.

Dyke: A body of igneous rock, tabular in form, formed through the injection of magma into a fissure cutting across the structure of the adjacent country rocks.

Feasibility Study: A complete study of sufficient detail and accuracy to be used for project decisions and financing purposes. The feasibility study contains mineable reserves, cost estimates (+/-15 per cent), mine plans, ore grades and annual schedules, the results of extensive test work and general arrangement plans.

Granite: A type of igneous rock.

Grade: Number of carats (or other unit of weight) in a physical unit of ore, usually expressed in carats per tonne.

Ideal Cut: A quality of cut, or "make," for a round, brilliant cut diamond where the ratio of depth (depth percentage) to width (table percentage) is such that the maximum amount of light refraction out of the top of the diamond is achieved. To be considered ideal, a diamond must also have superior symmetry and finished polish.

Kimberlite: A volatile-rich, potassic, ultrabasic rock which varies in mineralogical composition and texture. Kimberlite magmas originate at great depth in the earth's mantle and as they ascend rapidly to the surface they are often emplaced in vertical, carrot-shaped bodies known as pipes or thin (1-3 metres wide) tabular bodies known as dykes. Kimberlite deposits may or may not contain diamonds.

Mineable Reserves: A natural aggregate of one or more minerals that, at a specified time and place, under specified conditions, is estimated by experts to be mineable at a profit or from which some part may be profitably separated.

Mineral Resources: A natural aggregate of one or more minerals identified through exploration and sampling, for which a favourable study on economic exploitation has not been completed.

Pre-Feasibility Study: An interim study of sufficient detail and accuracy to be used to assess a project's potential prior to full economic modelling in a feasibility study. The pre-feasibility study contains a mineral resource, cost estimates (+/-25 per cent), mine plans, ore grades and annual schedules, the results of test work and general arrangement plans.

SAFE HARBOUR STATEMENT ON FORWARD-LOOKING INFORMATION

Forward-looking information is contained in the Management's Discussion and Analysis, the Letter to Shareholders, the Diavik Diamonds Project description and elsewhere in this Annual Report. This forward-looking information mainly concerns Aber's plans for its exploration and development properties, and is based on the conclusions of management. Aber cautions investors that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Diavik Diamonds Project, differences may result from additional drilling,

sampling, and diamond valuations and from engineering work and timetables, construction work and timetables, financial arrangements, developments in world diamond markets, local, regional or national political developments in Canada, the timing and terms of regulatory and environmental approvals and other factors. With respect to other projects, actual events may differ from current expectations due to exploration results, new exploration opportunities, changing budget priorities of Aber or its joint venture partners and other factors.



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