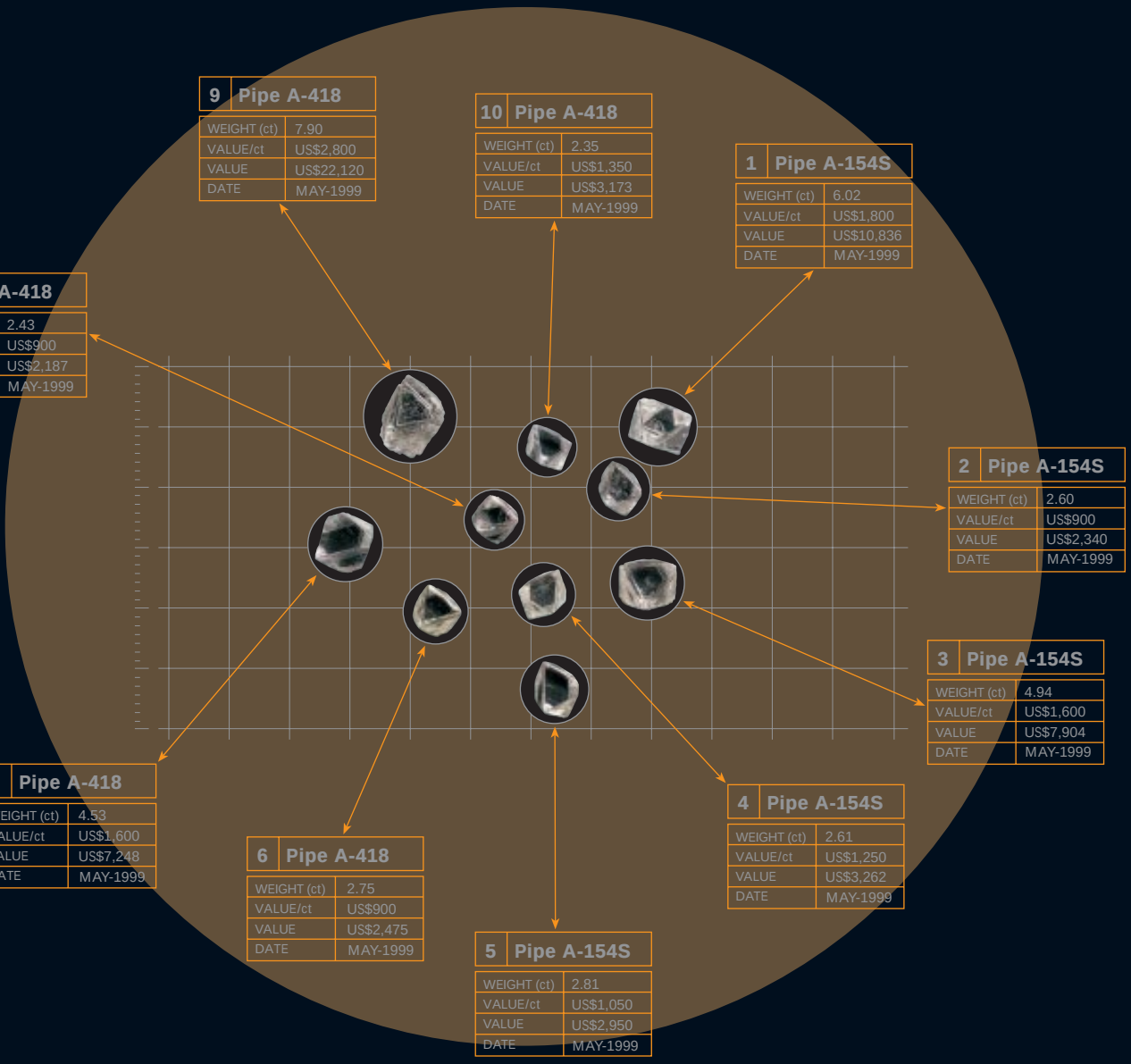
Advancing Toward Production And Marketing

A selection of Diavik diamonds

Displayed below in full scale are some of the gem diamonds from more than 21,000 carats taken as samples from the Diavik Diamonds Project.

Based on valuations of samples, Antwerp diamantaires have commented that Diavik's diamonds are attractive, of high quality and readily marketable. More than 90 percent of the value of Diavik's production would be gem quality diamonds.



Cover illustration:

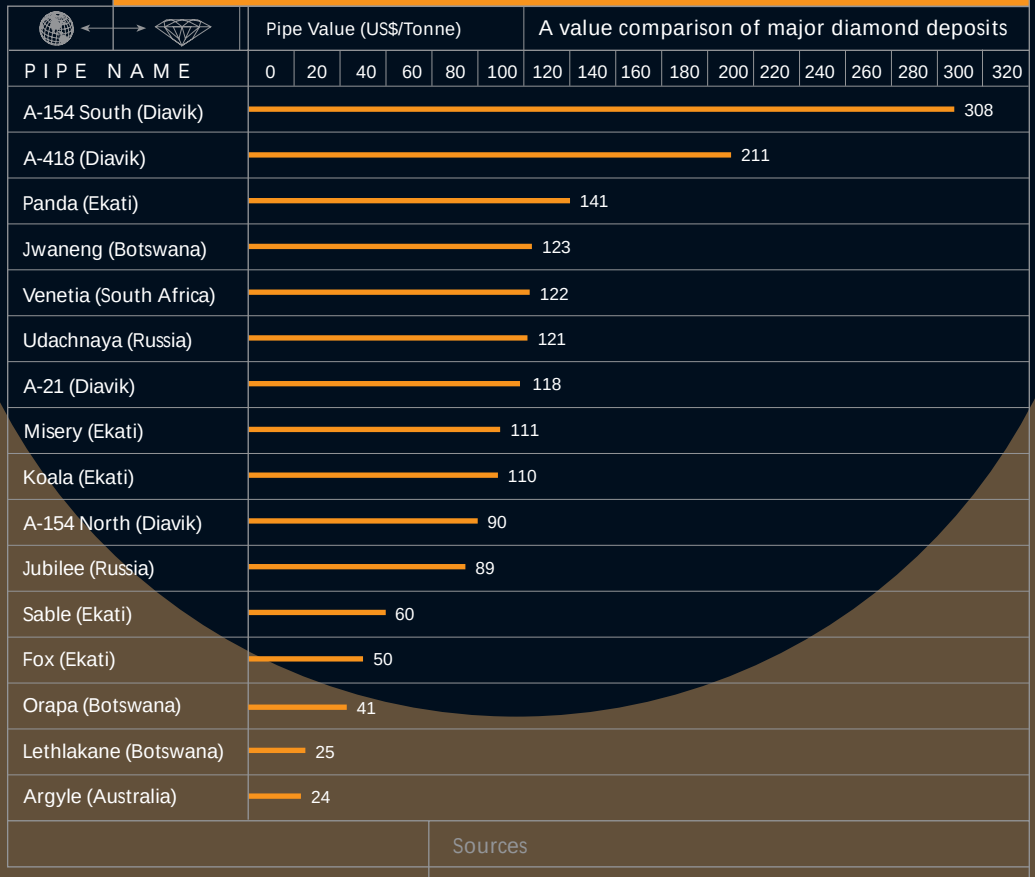
The aerial photo shows the Diavik camp at Lac de Gras, NWT. The diamond photo shows Diavik diamonds. The background is a page from Aber's new diamond price book. Prices in the book can be automatically updated with new trading information.

The values for the ten diamonds described above are taken from Aber's price book and are based on the market for rough diamonds in May 1999. *(Diamond Photo: John Dean. Aerial Photo: Jiri Hermann)*

Objectives

ABER INTENDS TO BE THE PREMIER, PUBLICLY-TRADED DIAMOND MINING COMPANY IN CANADA. AS WE MOVE TOWARD BECOMING A MAJOR PRODUCER OF GEM QUALITY DIAMONDS SHORTLY AFTER THE TURN OF THE CENTURY, WE WILL MAXIMIZE THE VALUE OF OUR SHAREHOLDERS' INVESTMENT WHILE PROTECTING THE INTERESTS OF OUR OTHER STAKEHOLDERS INCLUDING THE COMMUNITIES IN WHICH WE OPERATE.

DIAVIK'S PIPES: AMONG THE WORLD'S BEST IN VALUE PER TONNE



Sources

Diavik Pipes: Diavik Diamond Mines Inc. (measured and indicated resources estimates)

Ekati™ Pipes: Dia Met Minerals Ltd. (reserves estimates)

Others: Terraconsult BVBA (1998 production)

Contents:

Chick Rice

Kenneth G. Hanna
President & Chief Executive Officer

Chick Rice

John H. Parker, O.C.
Chairman of the Board of Directors

THE DIAVIK DIAMONDS PROJECT WOULD PROVIDE APPROXIMATELY 400 DIRECT JOBS OVER THE EXPECTED 16-22 YEARS OF OPERATING MINE LIFE, WITH DIRECT ANNUAL WAGES OF NEARLY $30 MILLION. ABORIGINAL AND NORTHERN RESIDENTS WOULD BE HIRED AS FIRST PRIORITIES.

Letter to Shareholders

In the past year we made important progress in the development of the Diavik Diamonds Project through feasibility work, preparation for diamond marketing and a major equity financing. Building on our success in 1998, we look forward to achieving additional milestones in 1999 leading up to a production decision.

Diavik Diamonds Project

The feasibility study of the Diavik Diamonds Project is expected to be completed following the Minister of the Environment's decision under the Canadian Environmental Assessment Act, anticipated in mid-1999. Greater clarity regarding the permitting, regulatory and fiscal regimes for the project is expected to emerge once the Minister's decision has been received. The feasibility study is being conducted by the independent engineering firm Nishi Khon/SNC-Lavalin and by Aber's joint venture partner, Diavik Diamond Mines Inc. (DDMI). Yellowknife-based DDMI is a subsidiary of Rio Tinto plc of London, England, a major multinational mining company with extensive experience in bringing new mines successfully into production.

The Federal Government's Department of Indian Affairs & Northern Development has finished most phases of Diavik's environmental review and is maintaining a schedule that would allow for ministerial approval in mid-1999 and the issue of final permits in the fall. It is anticipated that this will be followed by a formal production decision.

A $43.6 million budget ($17.4 million net to Aber) has been approved for 1999 for detailed engineering and planning. The budget is exclusive of any mobilization commitments required in the second half of 1999 to meet the construction schedule.

During 1999, DDMI will be negotiating participation agreements with Aboriginal community groups. These participation agreements would govern an active partnership between the project and the local communities embracing training, employment and a two-way flow of benefits. DDMI has done excellent work in pioneering a positive relationship with local communities that will assist the people, the environment and the project.

Jiri Hermann

The winter road from Yellowknife to Diavik is open between January and April. The transport of construction equipment to the project site would begin in January 2000 in the current schedule.

With a timely production decision, construction would begin in January 2000. Between January and April, trucks would transport some 2,400 loads of supplies along a winter road from Yellowknife to the Diavik project site, 300 kilometres to the northeast. A similar amount would be transported the following year. The two-year construction phase would provide 675 direct jobs, of which at least 275 initially are expected to go to northern residents.

The project would provide approximately 400 direct jobs over the expected 16-22 years of operating mine life, with direct annual wages of nearly $30 million. It is expected that 250 of these jobs would go to northerners, increasing to more than 300 jobs as more northerners are trained to work at the mine. Aboriginal and northern residents would be hired as first priorities.

Community

Community relations are a priority for the Diavik Joint Venture. In 1998 the Joint Venture continued to focus a significant portion of its resources to building strong relationships with local communities and to keeping them informed about the Diavik Diamonds Project. Among other things, the Diavik Joint Venture provided scholarships for Aboriginal youth and sponsored a geotech training program for Aboriginal workers, from which 11 of the 15 students received jobs during the Diavik 1998 winter drilling season.

Jiri Hermann

John Wifladt, one of 11 Aboriginal students who graduated from a DDMI geotechnical training course and were employed by DDMI for the 1998 winter drilling season. This year, DDMI intends to negotiate participation agreements with four Aboriginal groups representing 7,000 people who live within a few hundred kilometres of the Diavik Diamonds Project.

Aber also established scholarships for Northwest Territories residents, to a maximum of $50,000 per year, at the Lassonde Mineral Engineering Program at the University of Toronto. This program was established by Pierre Lassonde and is designed to ensure that graduating students receive a world-class education in mineral engineering.

Financial

One of Aber's most important achievements in 1998 was the completion of a $102.9 million equity financing. This financing strengthens our ability to raise our remaining share of the Diavik Diamonds Project costs on favourable terms.

At the January 31, 1999 fiscal year end the Company had nearly $120 million in working capital. The interest provided by Aber's cash enabled the Company to report net income of $1.5 million or $0.03 per share for the latest fiscal year, compared with a loss of $1.6 million or $0.04 per share the previous year.

Diamond Marketing

During 1998 Aber continued to build on its marketing knowledge, preparing a diamond classification system and a diamond price book that can be automatically updated with new trading information. Aber's goal over the next two years is to continue developing industry expertise and detailed knowledge of our diamonds. This will enable us to develop a marketing strategy for both rough and polished product that will achieve maximum return to shareholders.

We are encouraged by an improvement in diamond demand early in 1999 after a difficult 1998. Our market research indicates that diamonds from the Diavik Diamonds Project would enter the market at an opportune time. Global demand for diamonds is expected to exceed supply in 2002. A more detailed analysis of the diamond industry and our work to develop a marketing strategy is contained in the marketing section of this annual report.

Exploration

At Diavik, exploration for new diamond-bearing kimberlite pipes continues. Diavik's 1999 exploration program includes additional sampling and the drilling of several targets that were identified in 1997. One of the diamondiferous kimberlites discovered in 1998, pipe A-180, will be further tested in 1999 to assess its potential. In addition, the Diavik and Ekati joint ventures are testing diamond-bearing kimberlite A-841, situated on the boundary between the two properties.

At Camsell Lake, project operator Winspear Resources Ltd. of Vancouver disclosed that a 200 tonne sample of the Snap Lake kimberlite returned a grade of 1.14 carats per tonne and

Jiri Hermann

Participants in a Public Technical Hearing, Yellowknife, February 1999: This part of the Diavik Environmental Review was managed by Canadian Government departments and by various Aboriginal representatives through a Northern Steering Committee.

diamond values of US$301 per carat. While the sample is too small to be representative, this preliminary result is considered very encouraging. The collection of a larger sample is underway and will help to determine the property's potential.

Board of Directors

We are pleased to welcome the Honourable Donald S. Macdonald, P.C., C.C., to the Board of Directors. Mr. Macdonald successively held four of the most senior cabinet portfolios in the Canadian government between 1968 and 1977. Between 1978 and 1988 he was a partner in the law firm McCarthy & McCarthy in Toronto and also served as Chairman of the Royal Commission on Economic Union and Development Prospects for Canada, known as the Macdonald Commission. Between 1988 and 1991 he was High Commissioner for Canada to Great Britain. Mr. Macdonald brings considerable strength to the Company's Board as the Diavik Diamonds Project moves toward production.

Outlook

All of us at Aber are committed to ensuring that shareholders receive full value from our assets, especially the Diavik Diamonds Project, over the long term. We are tremendously grateful for the hard work, dedication and contribution of our employees, directors and consultants. With this team we feel we are well prepared to deal with the challenges in bringing the Diavik Diamonds Project to production.

We thank you, our shareholders, for your continued support.

"John H. Parker"

John H. Parker, O.C.
Chairman of the Board

"Kenneth G. Hanna"

Kenneth G. Hanna
President & Chief Executive Officer

May 14, 1999

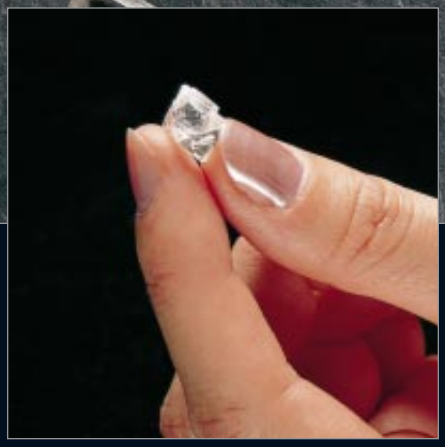
In Memoriam

Aber, and everyone associated with the Company, was saddened at the death in 1998 of a former director and senior officer, Jordan C. Ethans. Jordan was the President of Commonwealth Gold Corporation, which was merged into Aber in 1994. He was a key member of our management team during the discovery and exploration of Diavik and served on Aber's board for four years. Jordan was a well-respected colleague who made a significant contribution to our success. He enriched the lives of all those privileged to work with him.

A selection of Diavik's diamonds (shown larger than actual size).

De Beers

The Antwerp Diamond Bourse: Leading diamantaires in Antwerp valued Diavik's diamonds in 1997 and 1998.



John Dean

This eight carater, valued by Aber at US$22,120 in May 1999, is the highest priced diamond from Diavik's bulk samples.

THE PARTICULARLY HIGH GRADE OF THE EARLY DIAVIK PRODUCTION WILL RAPIDLY PRODUCE LARGE QUANTITIES OF GOOD QUALITY DIAMOND PRODUCT. ABER INTENDS TO BE FULLY PREPARED TO ACHIEVE FULL VALUE FROM THIS IMPORTANT EARLY PRODUCTION.

Marketing

Diamonds are a large-scale commodity with mine product sales value surpassing many traditional metal commodities. An important distinguishing feature of natural diamonds, in the raw material context, is their inherent complexity as a product. In a copper-gold deposit for example, the gold is about 5,000 times more valuable, per unit weight, than the copper and the two components of value are discrete. In a typical diamond deposit the highest value diamonds are more than 40,000 times more valuable, per unit weight, than the lowest value stones and there is an infinite range between the two extremes. The different component diamonds are sold to many different market places, which do not behave synchronously.

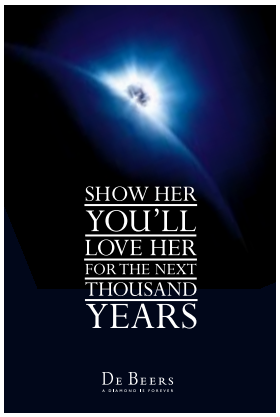
This complexity brings both challenges and opportunities. It demands trading and marketing skills not normally associated with the business culture of large mining houses. De Beers, the notable exception in this regard, has established a degree of control within the diamond business unknown in most other large-scale commodities. Its level of control has given De Beers the long-range confidence in the product to manage a considerable stockpile of diamonds. This ensures that declines in demand in particular market segments do not cause dramatic price declines that would infect other, more buoyant, sectors. Conversely, rapid growth in demand in a particular sector can be supplied without, similarly unsustainable, short-term price increases that erode consumer confidence. De Beers is underpinned by large-scale, low cost mine production in southern Africa.

The diamond marketing arm of De Beers, the Central Selling Organization (CSO), has generally maintained impressive control of the market since its creation in 1930. It was strained on the upside in the late 1970s when a hard asset boom, initiated by steep oil price increases, caused unmanageable levels of demand leading to temporary price spikes. Over the last year or so it has been tested on the downside due to serious failures in the economies of Southeast Asia. This has seen the diamond stockpile increase by US$377 million in 1998, to a current level of US$4.8 billion. De Beers has, during the same period, required their contracted mines to withhold 26% of their production capacity from the market. An increase in demand for smaller, lower cost polished diamonds has also created a market that currently consumes a lower value profile of diamonds than are mined.

The so-called “Diamond Pipeline” is both long and intricate. It typically takes more than 12 months for an individual diamond to move from the mine to final retail sale. At the end of 1998 there was estimated to be about US$11 billion of diamonds in the pipeline downstream of the CSO. This stock is typically in the hands of small family businesses that earn small margins on high valued raw material. They cannot absorb the losses that would result from sudden price declines in their stocks.

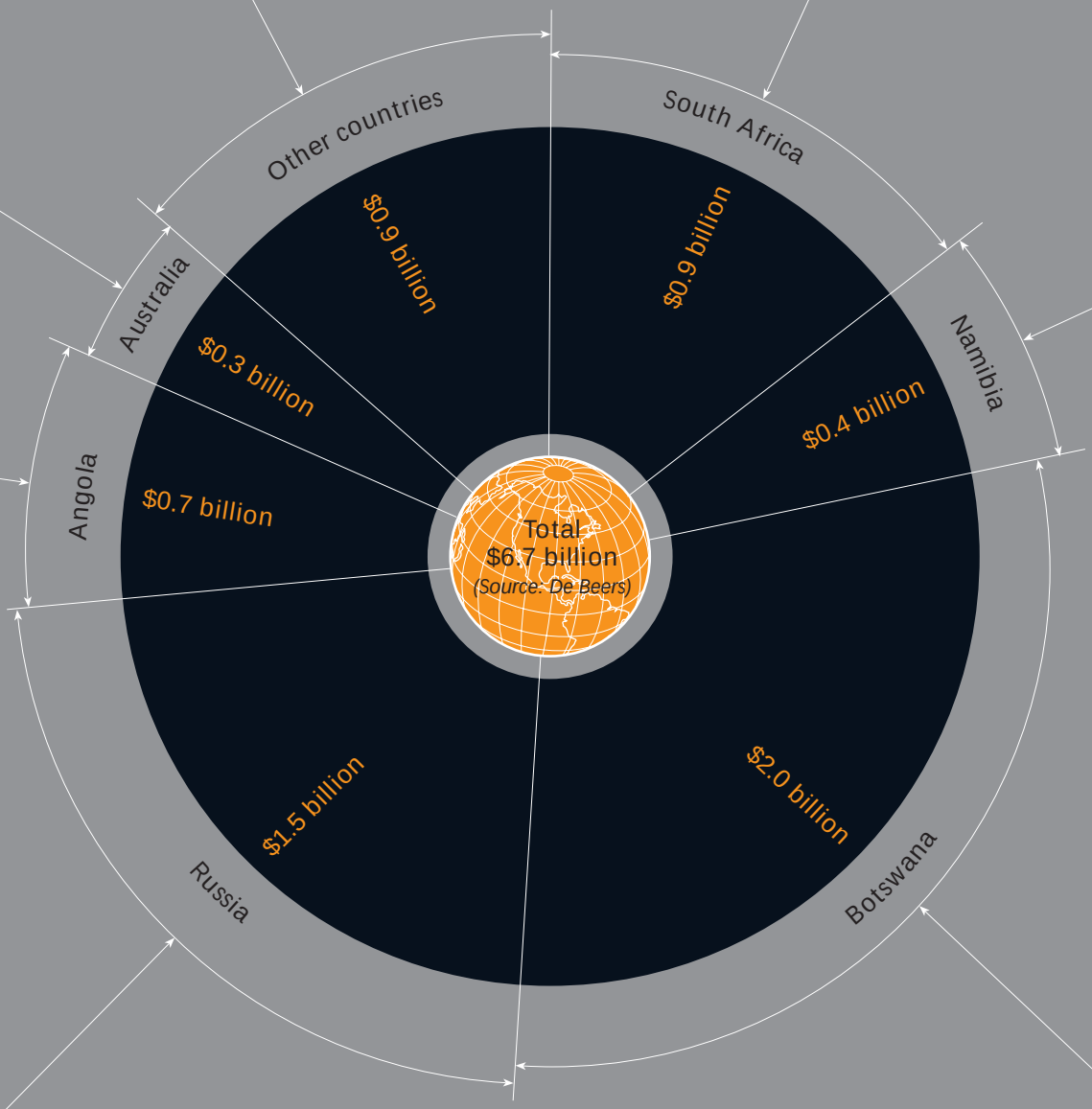
The rapidly changing economic circumstances in various sectors of the global economy that have been a feature of the 1990s have produced special challenges for a diamond industry which has expanded some fifteen fold since 1960. The Diamond Pipeline was well stocked in 1997 to supply the rapidly growing demand from the tiger economies. The dramatic decline in these economies in 1998, and the fear that this failure would ripple down to cause a decline in the all important American market, led De Beers to respond in its traditional manner by severely restricting supply. The CSO sight sales which had been US$2.88 billion for the first six months of 1997 were reduced to US$1.77 billion in the equivalent period in 1998, the sharpest decline in more than twenty years. At the same time Russian sales were under reasonable control and wars in various diamond producing areas of Africa, especially Angola, had decreased rough sales from outside the CSO.

Diamonds have been a rare exception in the commodity world of recent times in suffering only a relatively minor price decline. This is a testament to De Beers' role in the industry. Fortunately, the American economy continued to perform well and, with it, the appetite for diamonds. The combination of very tight supply and an expanding American economy has now produced an increase in rough diamond prices



A De Beers advertisement: In 1998 De Beers spent US$200 million on advertising to nurture demand for diamonds. This year, the focus is on Millennium diamonds.

World Rough Diamond Production: 1998



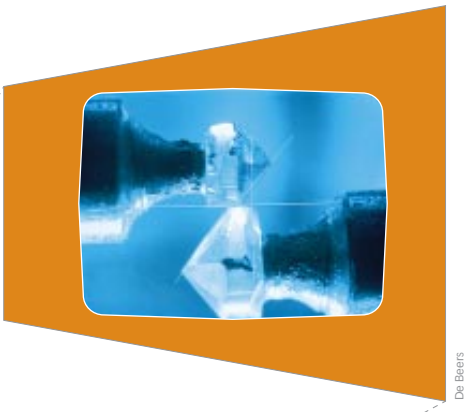
ABER'S 40 PERCENT SHARE OF DIAVIK'S PRODUCTION WOULD COMPRISE ONLY ABOUT TWO PERCENT OF WORLD DIAMOND SALES AND WOULD HAVE NO DISRUPTIVE EFFECT ON THE OVERALL MARKET.

which may be expected to adjust somewhat as demand and supply in various categories are brought back into balance. The American market now consumes 46 percent of world diamond production, on a value basis, and is likely to remain the dominant consumer for the foreseeable future.

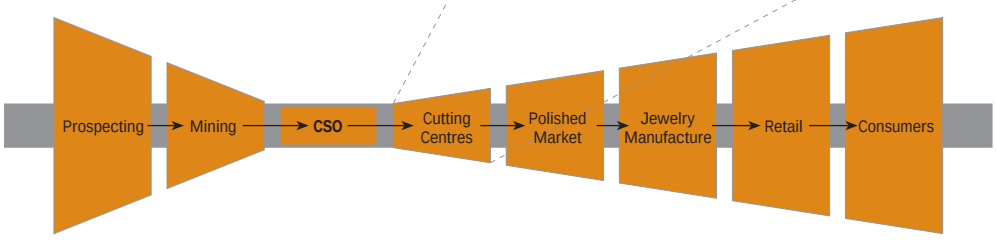
The size and quality profile of the Diavik diamonds is remarkably good but the details must remain confidential for competitive reasons. The important value contributions are from segments of the production that are broadly in demand in the market place. A large proportion of the value is comprised of diamonds fitting the demands of the American market as well as those of the large, international diamond jewelry retailers. Canadian diamond sales, spearheaded by BHP, have been very well received by the market and Canadian origin polished diamonds are developing a special cachet, not just in Canada, but also in the all important American market. Aber's 40 percent share of Diavik's production would comprise only about 2 percent of world diamond sales and would have no disruptive effect on the overall market.

Diamond industry forecasters, including De Beers, see the diamond market remaining in over supply until 2002 when some important production declines, combined with general market growth, are expected to require de-stocking from the CSO to maintain equilibrium. This coincides with the projected first full year of Aber's diamond sales in 2003.

The commercial handling of "Run of Mine" diamond production first requires that the infinite variability be classified using an accurate, and repeatable, sorting scheme specifically tailored to the mine production. The combination of parameters of size, shape, colour and clarity produces several thousand permutations which must be defined by physical samples which together make up a "Standard Assortment" against which mine production can be consistently classified. Secondly, the individual permutations must be priced in accordance with current market conditions. An electronic form of "Price Book", linked to the standard assortment, has been prepared which can be automatically updated with trading information. This will progress to become part of an overall product management system capable of handling diamonds from the mine through to sales of rough or polished product. As the production date approaches, the system will be progressively used in a trading environment to allow a smooth transition to Diavik Diamonds Project product sales. The particularly high grade of the early Diavik production will rapidly produce large quantities of good quality diamond product. Aber intends to be fully prepared to achieve full value from this important early production.



De Beers



The CSO's Diamond Pipeline

Bruting: Skilled diamantaires use one diamond to cut another. After it leaves the mine, a diamond can take 12 months to travel the pipeline (see left) to a cutter and polisher and ultimately to a retailer for sale to a consumer. Rough diamond sales restrictions by De Beers' Central Selling Organization in 1998 have reduced excess supplies in the pipeline.

Diavik camp: Located on the 20 square kilometre East Island at Lac de Gras, NWT.

Office and Accommodations

Airstrip

Drill core storage and exploration facilities

East Island

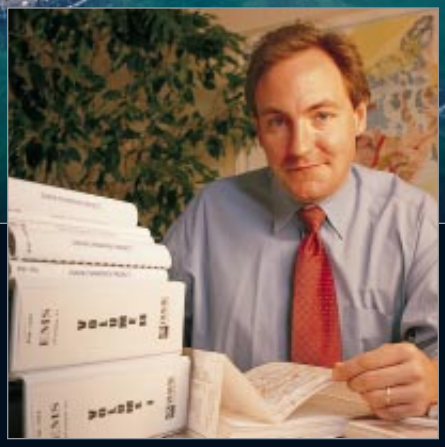
A-418

A-154S

Jiri Hermann

Jiri Hermann

The Diavik camp on East Island, which can accommodate approximately 100 people, is the exploration base for the Diavik Diamonds Project.



Chick Rice

R. Michael Jones, Aber's Vice-President, Corporate Development, with the 11-volume Diavik Environmental Assessment Report. This DDMI study concluded that the project's environmental impacts are not significant.

ABER AND DDMI HAVE COMMITTED TO ENSURING THAT DEVELOPMENT PROCEEDS IN AN ENVIRONMENTALLY SOUND MANNER, PROVIDING VALUE TO THE OWNERS, TO THE NORTHWEST TERRITORIES AND TO CANADA.

Diavik Diamonds Project

The Diavik Diamonds Project is located on East Island at Lac de Gras, 300 kilometres northeast of Yellowknife. Aber holds a 40 percent interest in the project and has the right to market its 40 percent share of the diamonds produced. Yellowknife-based Diavik Diamond Mines Inc., a subsidiary of Rio Tinto plc of London, owns the 60 percent joint venture interest and is the manager. As a member of the Rio Tinto organization, DDMI brings considerable large mining project experience and diamond mining and recovery expertise.

The $80 million 1998 Diavik Diamonds Project prefeasibility study concluded that the project would require approximately $875 million in capital, would have a life of 16 - 22 years, and would be mined by both open pit and underground methods. Mine site operating costs were estimated at $59 per tonne of kimberlite for years three through nine of the mine life and $66 per tonne of kimberlite over the life of the mine. Mine site operating costs do not include sorting and valuation of the diamonds, marketing costs, royalties to governments and property vendors, reclamation costs and corporate costs.

The prefeasibility conclusions are subject to change on completion of the feasibility study, anticipated in mid-1999. The feasibility study will update capital and operating costs, including facilities to sort and value diamonds in a northern community.

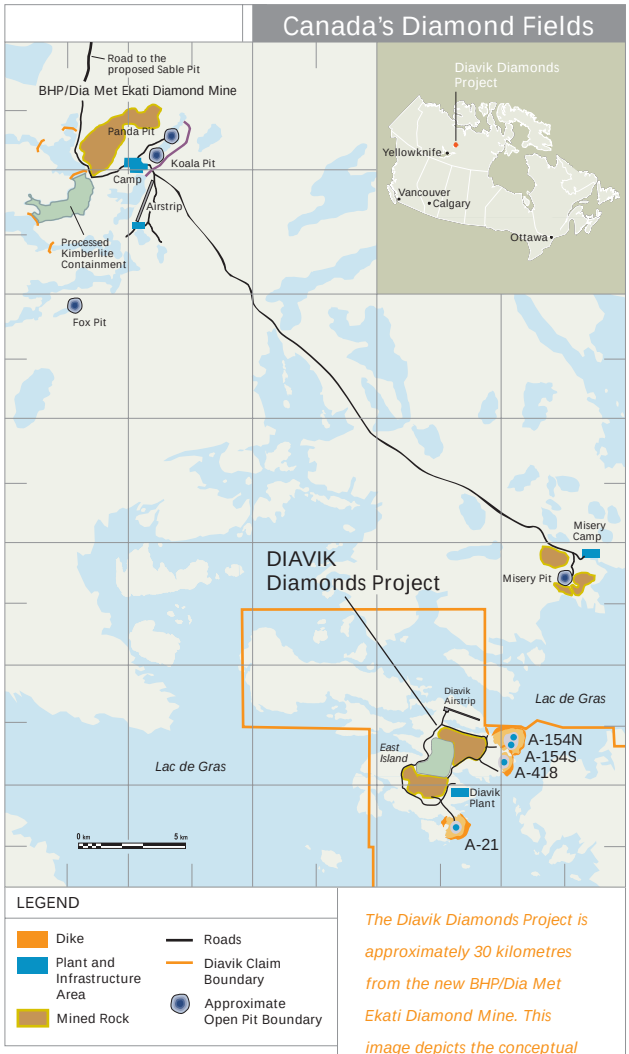
In September 1998, DDMI filed an Environmental Assessment Report with the Canadian Government. The report was a comprehensive study of the project's impact on climate, air, vegetation, terrain, wildlife, fish and water, heritage resources, communities and people. DDMI concluded that the overall environmental effects of the Diavik Diamonds Project are not significant and that the project can contribute positively to the social and economic conditions of the Northwest Territories. The Government's review of the report is integral to the permitting process.

Aber and DDMI have committed to ensuring that development proceeds in an environmentally sound manner, providing value to the owners, to the Northwest Territories and to Canada. The project design incorporates valuable community input and DDMI has hired a business development manager to assist northerners in identifying business opportunities during construction and mining.

DDMI is continuing its open and transparent process of community consultation, involvement and assistance that began in 1994. One particularly successful initiative was DDMI's support for the construction of an airstrip for the Dogrib Rae Band. The airstrip project includes classroom training and extensive job experience in the use of heavy equipment. In the words of Dogrib Chief Joe Rabesca, "the Airstrip Construction Project demonstrates how industry, government and First Nations can work together."

The Joint Venture has made considerable donations to community charities and scholarship funds and has committed $1 million over five years to the West Kitikmeot Slave Study to support environmental research that will assist in assessing cumulative environmental effects in the area affected by diamond exploration.

The Diavik Diamonds Project, as a northern Canadian business, has a policy of maximizing the number of employees from the North, including the Aboriginal communities. The mine would employ approximately 400 people, using a fly-in rotation, with two weeks at the site and two weeks at home. Preliminary designs for the permanent accommodations complex include space to house and feed approximately 200 people.



The Diavik Diamonds Project is approximately 30 kilometres from the new BHP/Dia Met Ekati Diamond Mine. This image depicts the conceptual mining plans for both projects.

Reserves & Resources

Natalie Fobes/Forbes Magazine

The Aber Diamond

This 1.75 carat diamond was found in the core of the discovery hole for pipe A-154 South. Geological modeling for the Diavik reserves incorporated 20,000 metres of delineation drilling, 10,000 metres of large diameter core drilling and two underground bulk samples totaling nearly 6,000 tonnes.

The Diavik Diamonds Project reserves are contained within four kimberlite pipes. As a result of feasibility work to April 1999, DDMI has estimated the diluted mineable reserves at 26 million tonnes containing 102 million carats, for an average reserve grade of 3.9 carats per tonne. This estimate excludes inferred resources but takes into account underground mining plans. The reserves are an estimate of the portion of the resource base that can be economically extracted, based on current assumptions on resources, diamond prices, project plans, and legal and local conditions.

The reserves were evaluated mainly using diamond prices based on a June 1998 valuation exercise in Antwerp, Belgium, with up to 5 percent deducted from diamantaires selling prices in the valuation. The reserves assumption prices were set at US$59 per carat for pipe A-154 South, US$53 per carat for pipe A-418, US$33 per carat for pipe A-154 North and US$36 per carat for pipe A-21. The June 1998 valuation involved a significant portion of the more than 21,000 carats extracted from Diavik between 1995 and 1997.

The Diavik Diamonds Project resources are estimated, to a depth of 420 metres, at 37 million tonnes containing 133 million carats for an average resource grade of 3.6 carats per tonne. The resources estimates were completed by DDMI.

Diavik Diamonds Project: The Resources Base*

A-154 South	A-418	A-154 North	A-21

The four Diavik Diamonds Project kimberlite pipes.
The colours represent different zones within the kimberlite.

	Measured resources		Indicated resources		Inferred resources		Total resources	
Kimberlite pipe	Millions of tonnes	Carats per tonne	Millions of tonnes	Carats per tonne	Millions of tonnes	Carats per tonne	Millions of tonnes	Carats per tonne
A-154 South	8.2	5.0	3.2	4.6	0.6	2.8	12.0	4.8
A-418	4.9	3.6	3.6	4.0	0.6	3.6	9.0	3.7
A-154 North	3.6	3.0	3.4	2.1	4.6	2.1	11.5	2.4
A-21			4.4	3.1	0.6	2.7	4.9	3.0
Total	16.6	4.1	14.5	3.4	6.3	2.4	37.4	3.6

* The resources are stated according to the guidelines of the Australasian Institute of Mining and Metallurgy (AusIMM), currently the world's most rigorous reporting standard. Reserves are a subset of measured and indicated resources that are part of an economic, specific mine plan. Inferred resources cannot be included in reserves.

Dikes

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

Ongoing feasibility work has simplified the proposed dike construction method while satisfying all safety and performance criteria. The refined dike footprint is reduced by 30 percent from the prefeasibility plan; less rock and granular material is needed and the time required for dike construction is shortened.

In the current mine plan, the A-154 dike would be constructed first. Diavik could then mine the larger and higher grade A-154 reserves first, while still meeting the start-up target of the second quarter, 2002. The dike around pipe A-418 would be completed five years after commencing commercial production and the A-21 dike in year ten. This schedule remains subject to change on completion of the feasibility study.

Each dike would be located a safe distance from the impact of underground or open pit mining. The use of dikes will create a safe working environment and permit the highest kimberlite recovery and mine development flexibility.

The first dike would be constructed from granite quarried from the project site and subsequent dikes would be constructed with material mined from the operating open pits.

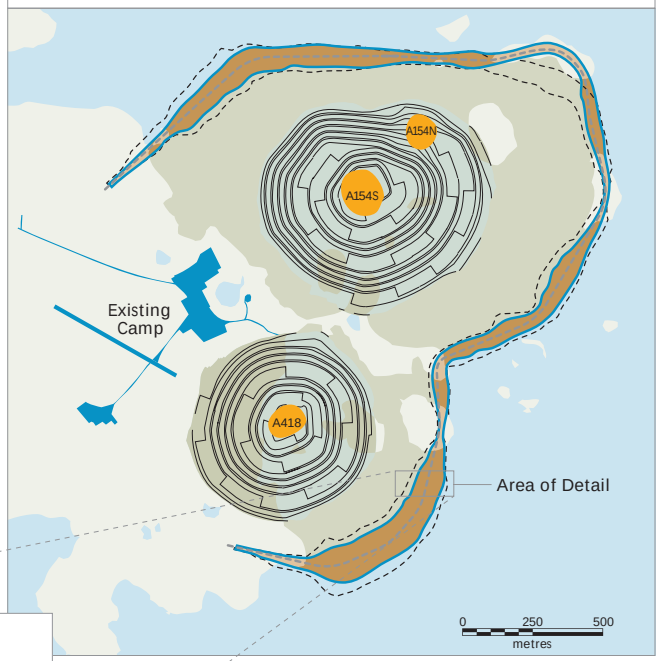
To minimize material requirements during construction, the dike design has incorporated small existing islands into the dikes and has selected the shallowest water routes. The profile of the dikes and material used for construction would be designed to enhance fish habitat. After completion of dike construction, 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. Then the dikes will be strategically breached to restore the inner dike areas as a productive part of Lac de Gras.

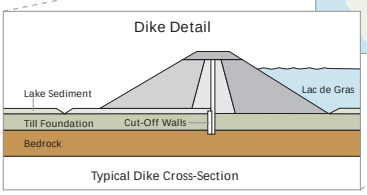
Jiri Hermann

Environmental monitoring: Lac de Gras water would remain at a high quality for use as drinking water and by aquatic life.

Refined Dike Design

Dike alignment: A new dike design has a smaller footprint (dark outline) than earlier plans (dotted outline). The cross section (inset) displays a cut-off wall, installed through the dike into the bedrock. The cut-off is constructed using bentonite, cement and crushed rock and is designed to minimize water seepage from Lac de Gras through the dike.





Mine Plan

Digital simulation of East Island looking west

The four pipes in the mine plan are all adjacent to East Island. Pipes A-154 South and North are within 100 metres of each other and can be mined first, from one pit.

The Diavik Diamonds Project in year 2018

The project would involve three open pits. Additional diamonds would be extracted using underground mining on pipes A-154 South and A-418.

The Diavik Diamonds Project, post closure

Reclamation would include preparation of the dike walls and pit perimeters for fish habitat, a slow return of water into the pits, and breaching of the dike walls. On East Island, native plant communities would be developed to assist in advancing natural re-vegetation.

The mine plan proposes open-pit mining of all four of the kimberlite pipes in the Diavik Diamonds Project. Pipes A-154 South and A-418 would also be mined from underground. The transition would be at a depth of between 200 and 300 metres. The transition point would be optimized for each pipe based on economic factors, experience gained from initial mining and processing and practical considerations of the mine design.

Mining pipe A-154 South first is advantageous because it has the highest grade at 5.0 carats per tonne for the measured resources. A-154 South contains 41 million carats of measured resources, or approximately 40 percent of the project's mineable reserves. One pit will be constructed for both pipes A-154 South and A-154 North, which are only 100 metres apart.

The feasibility study is examining production rates ranging from 1.5 million tonnes per year to 1.9 million tonnes per year. Based on output of 1.9 million tonnes per year, the A-154 pit would be mined until year seven. The A-418 pit would start production in year six and continue until year ten. Underground mining would commence in approximately year 11 and increase to one million tonnes per year. The A-21 pit would be developed in year eight and the ore stockpiled and processed into the mill from year eight to year 13. The mine plan sequence would vary slightly for lower production rates. The entire plan is subject to change on completion of the feasibility study.

Diamond Recovery Plant

A diamond recovery plant with a 1.5 million tonne to 1.9 million tonne annual capacity is being considered in the feasibility work. The plant would use conventional technology and have three main components: a primary loading, crushing and scrubbing section; a heavy media separation (HMS) section; and a final diamond recovery section.

The primary section of the plant crushes kimberlite material to greater than one millimetre but smaller than 25 millimetres in size. In the HMS area, the kimberlite is separated into low-density particles (floats) and high-density particles (sinks). The diamonds are contained in the high-density material, which is forwarded to the recovery area. There, magnetic minerals are removed and a series of X-ray sorting machines recover the diamonds.

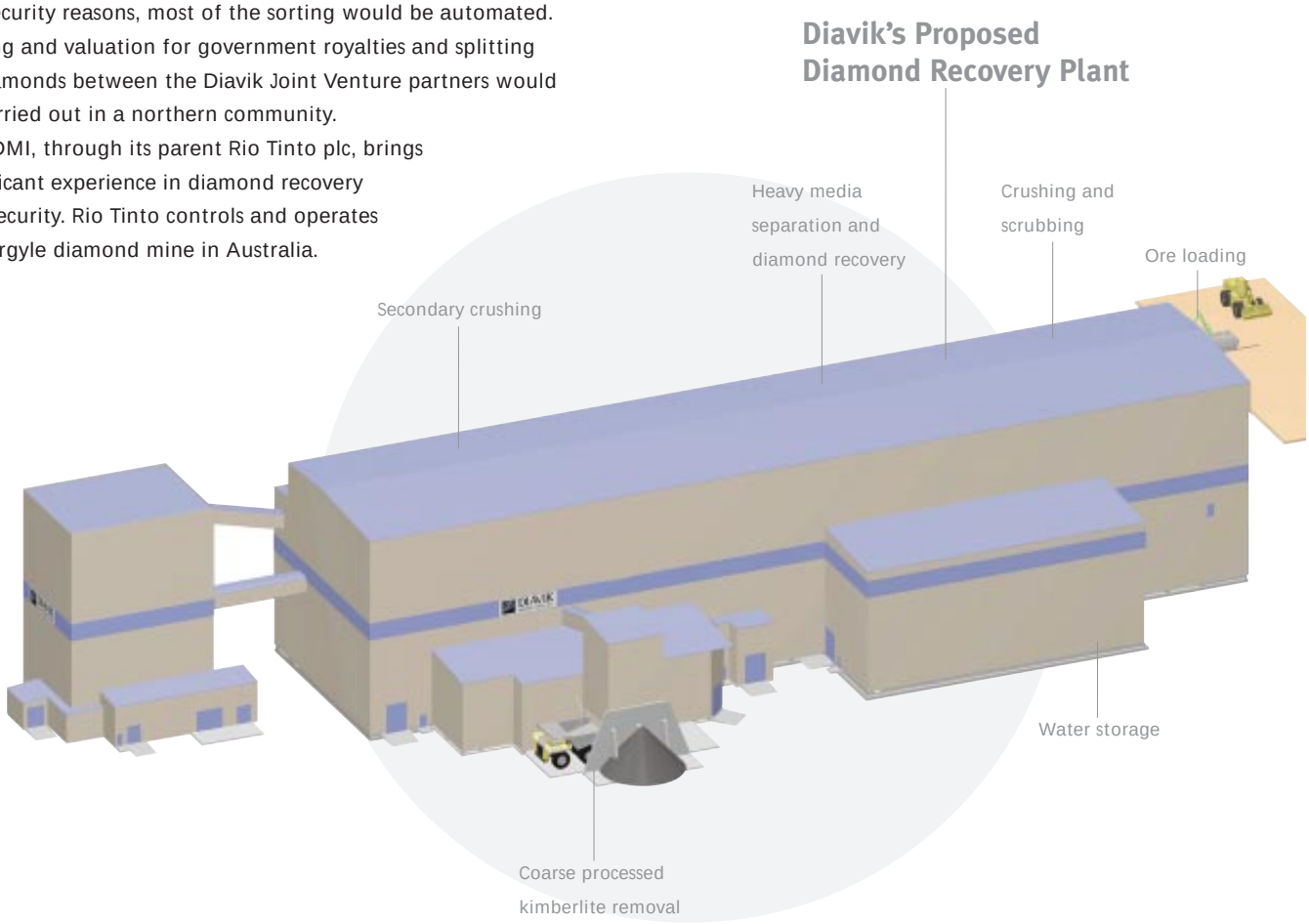
After diamonds have been extracted, the processed kimberlite would be removed to a specially prepared containment area on East Island. On completion of mining, this containment area would be covered by a layer of country rock. Native plant communities would be developed to assist in advancing natural re-vegetation.

As for the diamonds, after X-ray sorting they would proceed to a sorting house for cleaning, weighing and packaging. For security reasons, most of the sorting would be automated. Sorting and valuation for government royalties and splitting of diamonds between the Diavik Joint Venture partners would be carried out in a northern community.

DDMI, through its parent Rio Tinto plc, brings significant experience in diamond recovery and security. Rio Tinto controls and operates the Argyle diamond mine in Australia.

Diavik Diamonds Project facilities

This computer-generated image shows how accommodations and offices (left) would be connected to the diamond recovery plant (right) by a weather-proof corridor. Fuel storage tanks can be seen in the background.



Jiri Hermann

Exploration drilling on a kimberlite pipe, Diavik area, NWT, winter 1999. This year the focus is on pipes A-180 and A-841.

Chick Rice

Aber's exploration team examines a geophysical map: (from l to r) Ken Armstrong, Project Geologist; Eira Thomas, Vice-President, Exploration; and Robin Hopkins, Senior Geologist.

ABER'S 1998 SHARE OF EXPLORATION EXPENDITURES WAS APPROXIMATELY $3.2 MILLION. MUCH OF THE SPENDING WAS FOCUSED ON THE DIAVIK AREA, WHERE EXISTING KIMBERLITE PIPES WERE ASSESSED FOR THEIR DIAMOND POTENTIAL AND REGIONAL EXPLORATION FOR NEW KIMBERLITES CONTINUED.

Exploration

Review of 1998 and Outlook for 1999

During 1998, Aber continued exploration activities on five properties and benefited from exposure to $9.9 million in exploration expenditures. Aber's share of the exploration expenditures was approximately $3.2 million. Much of the spending was focused on the Diavik area, where existing kimberlite pipes were assessed for their diamond potential and regional exploration for new kimberlites continued. Four new kimberlites were identified at Diavik, including pipe A-180 which returned positive microdiamond results and is scheduled for additional drilling in 1999.

For 1999, industry trends suggest that exploration for diamonds will intensify across the Northwest Territories. Aber and its joint venture partners have budgeted expenditures of $16.7 million, mainly for diamond exploration. Aber's share of these expenditures amounts to $6.6 million. This includes exploration at Crystal and Gem, two promising new diamond properties in the Northwest Territories.

Diavik Area Information as of Jan 31,1999

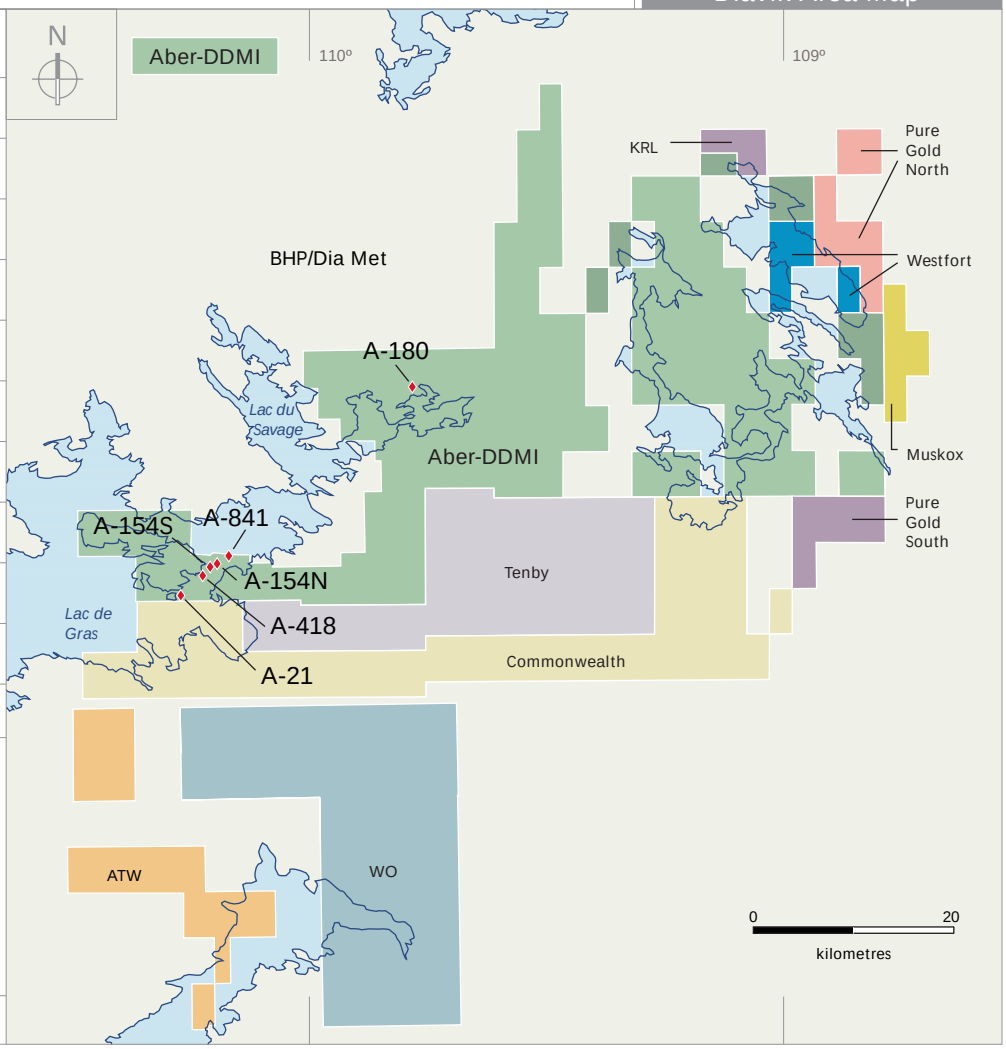
Block Name	Block Size	Aber's Interest
1. Aber-DDMI*	1,210 sq. km (298,899 acres)	40%
2. WO	564 sq. km (139,455 acres)	15%
3. Commonwealth**	502 sq. km (124,042 acres)	44.4%
4. Tenby**	406 sq. km (100,408 acres)	35%
5. ATW	175 sq. km (43,180 acres)	15%
6. Pure Gold North**	73 sq. km (18,078 acres)	20.4%
7. Pure Gold South**	43 sq. km (10,566 acres)	22%
8. Westfort**	42 sq. km (10,330 acres)	20.4%
9. Muskox	42 sq. km (10,330 acres)	10%
10. KRL**	31 sq. km (7,748 acres)	20.4%
Total	3,088 sq. km (763,036 acres)	

* Subject to aggregate royalties of approximately 2.0 percent in favour of Christopher Jennings and Repadre Capital Corp.

** Subject to aggregate royalties of approximately 2.5 percent in favour of Christopher Jennings and Repadre Capital Corp.

Source: Diavik Diamond Mines Inc.

Diavik Area Map



Diavik Area, NWT

(3,092 square kilometres, ten blocks, Aber's interest 10% to 44.4%)

The Diavik area has been actively explored since 1992 and is the most advanced of Aber's mineral properties. With the four new kimberlites discovered in 1998, the total number of kimberlites on the property has reached 53. Of this total, 26 are diamondiferous, up from 24 a year earlier. The four diamondiferous kimberlites in the feasibility study were discovered in 1994 and 1995. Prospects remain high that additional exploration will lead to additional economically mineable diamond deposits.

In 1998, Aber's share of the exploration expenditures was approximately $1.4 million. A review of the most prospective kimberlites discovered at Diavik was initiated and is ongoing. Pipe A-180 appears to be the most promising 1998 discovery. This pipe, in which Aber has a 40 percent interest, is located on land near Lac du Sauvage, about 25 kilometres northeast of the proposed Diavik diamond processing plant. The caustic fusion of 294.8 kilograms of kimberlite obtained from two drill holes at A-180 in the spring of 1998 yielded 192 diamonds, including 29 macrodiamonds (greater than 0.5 mm in one dimension).

For 1999, the total anticipated exploration expenditure at Diavik is estimated at $2.7 million, of which Aber's share is about $1.1 million. In addition to delineation drilling on pipe A-180, the Diavik Joint Venture plans exploration drilling on several other targets. Indicator mineral sampling is also planned for 1999. Basal till is the preferred glacial medium for indicator mineral sampling but in some parts of the Diavik property this till is overlain by other glacial sediments making it inaccessible using traditional sampling methods. A sampling method using sonic drilling will be carried out in the north central portion of the Diavik property in 1999 to collect basal till samples.

The Diavik Joint Venture and the owners of the neighbouring Ekati Diamond Mine are jointly evaluating a diamondiferous kimberlite pipe, A-841, straddling the border of the two properties. The pipe appears small but initial microdiamond results are encouraging. Drilling includes a mini-bulk sample, to be processed at the Ekati bulk sampling plant, and delineation holes to be processed by Diavik. The pipe, discovered in 1997, is located adjacent to Diavik's proposed dike, about 100 metres northeast of the proposed A-154 open pit. The 1999 drilling program is designed in part to determine how much of the pipe is on Diavik's property and provide initial estimates of size and grade. The joint exploration program exemplifies the cooperative approach between the two neighbouring diamond projects.

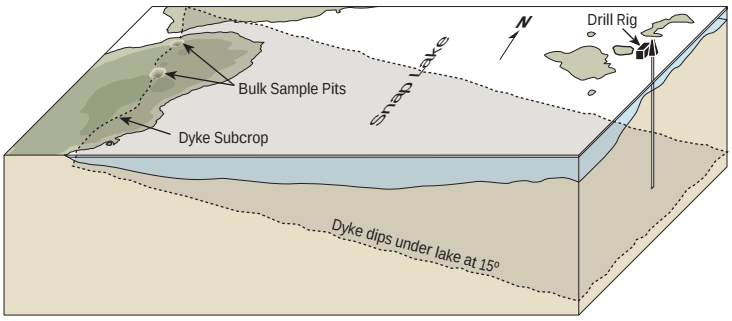
Camsell Lake, NWT

(1,247 square kilometres, two blocks, Aber's interest 32.24% and 45%)

The Camsell Lake project comprises two separate land packages referred to as the Athenia and Haywood properties, located approximately 100 kilometres south of Diavik. The project is operated by Winspear Resources Ltd. of Vancouver. Ground geophysics and drilling were carried out on the Athenia property in 1998 at a cost of $330,000; no kimberlites were discovered.

On the Haywood property, Aber and Winspear are in a dispute over Aber's right to participate in the 1999 exploration program. Aber's position is that it has the right to participate by paying its 32.24 percent share of the budget, or approximately $4 million. Aber has commenced litigation in the British Columbia Supreme Court to protect the Company's 32.24 percent ownership interest.

In 1998, $3.6 million was spent on the Haywood property, including a 199.7 tonne mini-bulk sample collected from the Snap Lake dyke. Winspear reported that the sample returned 227 carats of diamonds that were subsequently valued by three independent Belgian diamantaires at an average of US$301 per carat. Winspear reported that the sample yielded 21 stones greater than one carat including three large gemstones, weighing 10.87 carats, 8.43 carats and 6.03 carats. In the valuation the three large stones accounted for 75 percent of the value from the sample, Winspear reported. While this result is considered encouraging, valuations of diamond parcels in excess of 3,000 carats are generally required before accurate estimates of average diamond value can be made.



Snap Lake Dyke: The bulk sample was taken from two pits on land, adjacent to the lake. The dyke, a sheet-like structure with an average thickness of 2.5 metres, slopes gently under Snap Lake. The total horizontal and lateral extent of the dyke is not yet determined.

Ken Armstrong

In March 1999, an excavator loads a truck with kimberlite taken from a bulk sample of the Snap Lake dyke. Diamond values should be available in the third quarter of 1999.

In December 1998, the joint venture partners approved a $12.4 million program of advanced work for 1999, including delineation drilling and bulk sampling on the Snap Lake dyke. A mine scoping study by MRDI Canada suggests the dyke has on-land, open pit resources of 720,000 tonnes with the potential for additional adjacent resources under Snap Lake. The objective of the drilling is to outline a minimum of 3.5 million tonnes to feasibility standards. On the bulk sample, approximately 6,000 tonnes of kimberlite has been mined from two pits located 260 metres apart along the surface expression of the dyke. The sample has been transported via the winter road to a processing facility. Processing is expected to begin in the second quarter of 1999 and a final valuation of recovered diamonds is anticipated in the third quarter of 1999. The bulk sample is expected to yield more than 5,000 carats of diamonds to provide a more accurate estimate of diamond value.

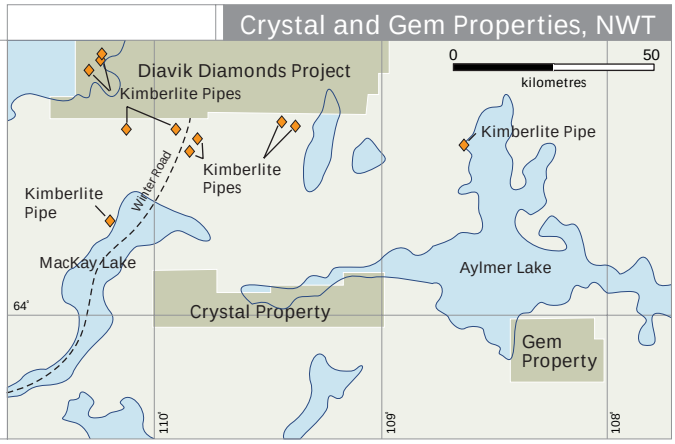
Crystal and Gem, NWT
(764 square kilometres, two blocks, Aber's interest up to 70%)

In January 1999, Aber entered into two option agreements with Tyler Resources Inc. of Calgary to explore the Crystal and Gem properties located in the heart of the Slave geological province in the Northwest Territories. Both properties are situated southeast of Lac de Gras, along a regional trend which hosts numerous diamondiferous kimberlite discoveries, including the Ekati and Diavik diamond pipes. Although the properties were staked by Tyler in 1992 and no kimberlites have yet been discovered, Aber believes both properties have been underexplored and remain prospective.

The 492 square kilometre Crystal property is located about 300 kilometres northeast of Yellowknife and about 60 kilometres southeast of Lac de Gras. Aber can earn a 50 percent interest in Crystal by spending $1,750,000 on exploration by December 31, 2002. Aber has the option to increase its interest to 70 percent by incurring cumulative exploration expenditures of $5,250,000 by December 31, 2006. During 1999, Aber proposes to spend up to $550,000 for a three-phase exploration program. This would include a review of existing information about the property, a tightly-spaced helicopter survey and a sampling program. If the results are encouraging, Aber would proceed to gridding, ground geophysical surveying and a winter drilling program during the year 2000.

The 272 square kilometre Gem property is located about 350 kilometres northeast of Yellowknife and 110 kilometres southeast of Lac de Gras. Aber can earn a 50 percent interest in the property by spending $750,000 on exploration by December 31, 2002. Aber has the option to increase its interest to 70 percent by incurring cumulative exploration expenditures of $2,450,000 by December 31, 2006. During 1999 Aber proposes to spend about $150,000 on sampling and the compilation of information about the property.

The Crystal and Gem properties are on a regional trend which hosts numerous kimberlites.



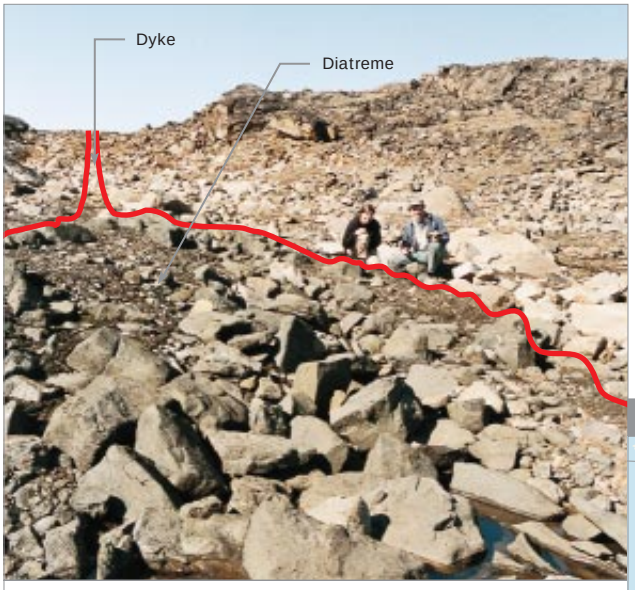
West Greenland

(814 square kilometres, five blocks,

Aber's interest 25% to 50%)

During 1998, Aber collected nearly 600 samples from till and kimberlite dykes and boulders and analyzed the results for diamond indicator minerals. When combined with work from previous years, the information allowed Aber to focus exploration efforts on a reduced but highly prospective portion of its land position in West Greenland. The five priority blocks were selected on the basis of indicator mineral results and airborne geophysics and include areas of known kimberlitic boulder and dyke occurrences.

Aber spent approximately $920,000 in Greenland in 1998 and is budgeting $400,000 for this year. The proposed exploration program includes additional prospecting and sampling to locate new targets. Under a joint venture with Platinova A/S of Nuuk, Greenland, Aber has the right to earn a 50 percent interest in 99.7 percent of the property and a 25 percent interest in the remainder. To earn its interest, Aber must complete either 10,000 metres of drilling or commit to taking a 1,000 tonne bulk sample from a kimberlite body. So far, Aber has drilled 1,500 metres. Aber is the operator of the property and is responsible for 100 percent of exploration costs until it earns its interest.



Shannon Brockman

Kimberlite Diatreme: This geological structure, discovered on the West Greenland property by Aber geologists in August 1998, is a pipe-like expansion along a kimberlite dyke. In 1999 Aber plans more prospecting and sampling in West Greenland, including further exploration of this diatreme, which contains boulder-sized mantle xenoliths rich in diamond indicator minerals.

Sunrise, NWT

(55 square kilometres, one block,

Aber's interest 50%)

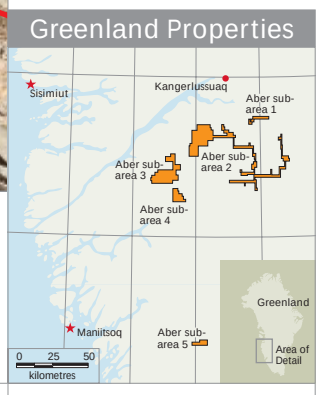
The Sunrise property is located approximately 130 kilometres northeast of Yellowknife and is operated by Hemisphere Development Corp., of Vancouver. A $460,000 program comprised of additional drilling and resource modeling on the Sunrise deposit in 1998 did not materially upgrade previous resource estimates of 1.86 million tonnes grading 4.2 percent lead, 8.9 percent zinc, 406 grams of silver per tonne, 0.97 grams of gold per tonne and 0.1 percent copper. The deposit is currently uneconomic but exploration potential for additional resources elsewhere on the property remains high. Further exploration is under consideration for 1999.

Kuujjua, NWT

(5,309 square kilometres,

Aber's interest 100%)

This property is located on Victoria Island, about 1,000 kilometres north of Yellowknife. During 1998 Aber conducted a six hole, $850,000 drilling program to test five separate nickel targets. The drill program, funded entirely by joint venture partner Billiton plc of London, England, was unsuccessful and the joint venture subsequently terminated. Aber also collected 320 surficial sediment samples throughout the property to assess the potential for kimberlite bodies. This $230,000 program, funded by Aber, produced several anomalies that will be followed up with an additional $100,000 summer sampling program in 1999. Recent diamond discoveries on Victoria Island by Monopros, the exploration arm of De Beers Consolidated Mines Ltd., and by junior Canadian companies ensure that this area will remain a focal point for diamond exploration.



West Greenland:
The five priority sub-areas.

Financial Section

Contents:

Management's Discussion & Analysis

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

Net Income

Aber's net income for the fiscal year ended January 31, 1999 totaled $1,491,916 or $0.03 per share, compared with a loss of $1,645,804 or $0.04 per share a year earlier. The latest results include a writedown of $75,352 on investments in securities. A year earlier, writedowns included $185,963 on investments in securities and $741,280 for a non-core, non-diamond property. The net income is not a meaningful measure of performance at this stage in the Company's development.

Revenue

Aber's revenue totaled $5,019,949, up 243 percent from $1,463,806 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 $102.9 million ($98.5 million after expenses) equity financing in June 1998.

Expenses

Aber's expenses decreased during the latest fiscal year to $2,981,814, down 3.9 percent from $3,103,231 a year earlier. General and administrative expenses were $2,856,875, up 33.5 percent from $2,140,175. The increase was partly attributable to a full year of costs for employees hired in the middle of the previous year. There were no mineral property writedowns in the latest year, compared with a $741,280 writedown the previous year. The lack of property writedowns more than offset the increase in general and administrative expenses. The writedown of investments in securities of $75,352 compared with $185,963 in the previous year reflects a decline in the market price of shares held in two junior mining companies.

Taxes payable totaled $546,219 compared with $6,379 a year earlier. The increase is primarily large corporations tax arising from a doubling of Aber's asset base.

Liquidity and Cash Resources

As of January 31, 1999, Aber had $121,204,829 in cash and short term investments, compared with $30,870,925 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 A chartered banks and can be sold prior to maturity. At January 31, 1999 the oldest maturity date was April 8, 1999. The increase in cash and short term investments from January 31, 1998 was attributable to the Company's financing activities, which significantly exceeded the Company's capital requirements for the year. The principal financing activity yielded net proceeds of $98,476,929 from an equity financing in preparation for capital requirements from the Diavik Diamonds Project.

Financing Activities

The Company received $105,024,930 from the issue of 7,300,000 common shares. This included proceeds of $98,476,929, after costs, from an equity financing, $6,226,251, after costs, from the issue of shares on a flow-through basis pursuant to a subscription agreement entered into in January 1997, and $321,750 on the exercise of share purchase options. During the previous year, the Company received $19,680,067 from the issue of 1,410,000 common shares. This included $9,489,617 upon the exercise of warrants, $8,250,000 on a private placement and $1,940,450 upon the exercise of share purchase options.

Investing Activities

Investing activities with respect to mineral property expenditures and the purchase of fixed assets required $18,389,600 during the year, down 3.8 percent from $19,118,433 a year earlier. The most significant investment in both periods was for the Diavik Properties. In the latest period, Aber invested $15,300,497 in the Diavik Properties, mainly for the feasibility study on the Diavik Diamonds Project, the permitting process and exploration. The previous year, Aber invested $13,475,053 in the Diavik Properties, mainly for the prefeasibility study and exploration.

Other major exploration costs in both periods were for the Camsell Lake Project and for West Greenland. Expenditures at Camsell Lake were $461,591, down 63.1

percent from $1,251,380 a year earlier. In the latest period, Aber did not fully participate in exploration expenditures, resulting in a dilution of the Company's interest to 32.24 percent from 42.7 percent the previous year. In West Greenland, Aber's expenditures were $918,154, down 37.8 percent from $1,476,347 a year earlier. In the latest period, Aber concentrated mainly on sampling, whereas a year earlier Aber's expenditures were for sampling, drilling and an airborne survey.

Outlook

Aber is likely to earn a small additional net income, from interest on its cash balances, in the current fiscal year ending January 31, 2000. Significant net income is not expected until after the Company achieves production from the Diavik Diamonds Project. This production is not expected before the second quarter of 2002. Activities currently in progress at the Diavik Diamonds Project include planning for the construction of the mine and participation in the regulatory process to obtain permits for construction. During the current fiscal year, costs for the Diavik Diamonds Project are budgeted at $43.6 million, of which Aber's share is approximately $17.4 million. The budget is exclusive of mobilization commitments required in the second half of 1999 to meet the year 2000 construction schedule. The amount required for mobilization commitments has not yet been determined. Other than at Diavik, the Company expects to spend $5.5 million as its share of $14.0 million in exploration expenditures on properties in which Aber has an interest.

Aber's cash and equivalents as at January 31, 1999 provide the Company with sufficient funds for the current fiscal year. Aber is required to finance its 40 percent share of the capital cost of the Diavik Diamonds Project for which additional financing will be required.

The Year 2000 Issue

The Year 2000 issue relates to the potential for errors arising from computers and electronic timing devices at the turn of the century. Aber relies on widely available commercial hardware and software for its internal computer systems. The Company has tested its systems and has determined that it does not face significant internal risk from computer failure or errors due to this issue, and does not directly use other electronic timing devices subject to such risks.

The Company's Diavik Diamonds Project may commence construction in early 2000 and the effect of the Year 2000 issue cannot be precisely predicted. The Year 2000 issue has been raised with the operator of the project with the objective of ensuring reasonable mitigative and contingency measures are taken.

Forward Looking Statements

For information about the risks Aber faces, please see the Safe Harbour Statement on page 35.

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 H. Parker"

John H. Parker, O.C.
Chairman of the Board of Directors
March 19, 1999

"Kenneth G. Hanna"

Kenneth G. Hanna
President and Chief Executive Officer
March 19, 1999

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Aber Resources Ltd. as at January 31, 1999 and 1998 and the consolidated statements of earnings (loss), deficit and changes in financial position for the years then ended. 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 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, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

"KPMG LLP"

Chartered Accountants
Vancouver, Canada
March 19, 1999

Consolidated Balance Sheets

January 31, 1999 and 1998

		1999		1998
Assets				
Current assets:				
Cash and cash equivalents	$	72,410,329	$	30,870,925
Short-term investments		48,794,500		–
Accounts receivable (net of allowance for doubtful accounts)		137,088		873,655
Taxes recoverable		–		299,035
Prepaid expenses		127,776		160,501
		121,469,693		32,204,116
Investments in securities		76,643		151,995
Furniture and equipment, net of accumulated depreciation of $182,017 (1998 - $136,948)		228,639		187,954
Deferred mineral property costs (note 4)		92,813,223		75,655,145
	$	214,588,198	$	108,199,210
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,933,778	$	920,386
Shareholders' equity:				
Share capital (note 5)		232,589,710		128,706,030
Deficit		(19,935,290)		(21,427,206)
		212,654,420		107,278,824
Nature of operations (note 1)				
Commitments (notes 4 and 7)				
Contingencies (notes 4(b) and 9)				
Subsequent event (notes 4(b), 4(c) and 5(c))				
	$	214,588,198	$	108,199,210

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director — Director

"John H. Parker" — "Kenneth G. Hanna"

John H. Parker, O.C. — Kenneth G. Hanna

Consolidated Statements of Earnings (Loss)

Years ended January 31, 1999 and 1998

		1999		1998
Revenue:				
Interest	$	5,019,949	$	1,463,806
Expenses:				
General and administrative		2,856,875		2,140,175
Depreciation		49,587		35,813
Writedown of investments in securities		75,352		185,963
Mineral property abandoned		–		741,280
		2,981,814		3,103,231
Earnings (loss) before taxes		2,038,135		(1,639,425)
Large corporations tax		546,219		6,379
Net earnings (loss) for the year	$	1,491,916	$	(1,645,804)
Earnings (loss) per share	$	0.03	$	(0.04)

Consolidated Statements of Deficit

Years ended January 31, 1999 and 1998

		1999		1998
Deficit, beginning of year	$	(21,427,206)	$	(19,781,402)
Net earnings (loss) for the year		1,491,916		(1,645,804)
Deficit, end of year	$	(19,935,290)	$	(21,427,206)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended January 31, 1999 and 1998

	1999	1998
Cash provided by (used for):		
Operating activities:		
Net earnings (loss) for the year	$ 1,491,916	$ (1,645,804)
Items not involving cash:		
Depreciation	49,587	35,813
Writedown of investments in securities	75,352	185,963
Abandonment of mineral property	–	741,280
Non-cash operating working capital	2,081,719	(544,909)
	3,698,574	(1,227,657)
Financing activities:		
Issue of capital stock	105,024,930	19,680,067
Investing activities:		
Purchase of short-term investments	(48,794,500)	–
Mineral property expenditures	(18,299,328)	(19,029,030)
Purchase of fixed assets	(90,272)	(89,403)
	(67,184,100)	(19,118,433)
Increase (decrease) in cash and cash equivalents	41,539,404	(666,023)
Cash and cash equivalents, beginning of year	30,870,925	31,536,948
Cash and cash equivalents, end of year	$ 72,410,329	$ 30,870,925

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended January 31, 1999 and 1998

1. Nature of operations:

The Company is incorporated under the laws of British Columbia and its principal business activities include the exploration and development of natural resource properties.

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.

The ability of the Company to maintain its interest in certain properties by contributing its share of exploration and development expenditures is dependent upon its ability to raise additional capital.

2. Summary of 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., which was incorporated on January 27, 1998, and Aberex Minerals Ltd., and its proportionate interest in joint venture activities.

(b) Cash and cash equivalents:

Cash and cash equivalents include investments with terms to maturity of less than three months when purchased.

(c) Short-term investments:

Short-term investments include investments with terms to maturity of greater than three months and less than one year when purchased.

(d) Investments in securities:

Investments in securities are carried at the lower of cost or market.

(e) Deferred mineral property costs:

All costs related to mineral properties are deferred on a property-by-property basis. Such costs include mining claim acquisition costs and exploration and development expenditures, net of any recoveries and the premium on the issue of flow-through shares. The 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 or probable reserves. When there is little prospect of further work on a property being carried out by the Company or its partners, the deferred costs related to that property are charged to operations.

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

(f) Environmental and site reclamation costs:

A provision for environmental and site reclamation costs is made when reclamation requirements are established and costs can be reasonably estimated.

(g) 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.

(h) 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%

(i) Share capital:

The premium on the issuance of flow-through shares, being the excess of the issue price over the quoted market value, is credited to deferred mineral property costs.

(j) Earnings (loss) per share:

The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding during the year. Fully diluted loss per share is not presented as it is anti-dilutive.

3. Financial instruments:

The fair values of the Company's cash and cash equivalents, short-term investments, accounts receivable, and 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 investments in securities is $76,643 (1998 - $151,995).

4. Deferred mineral property costs:

	Balance January 31, 1998	Fiscal year expenditures	Writedowns	Balance January 31, 1999
Diavik	$ 66,903,640	$ 15,300,497	$ –	$ 82,204,137
Camsell Lake	3,498,087	461,591	–	3,959,678
Kuujjua	2,323,779	229,541	–	2,553,320
West Greenland	2,887,450	918,154	–	3,805,604
Thye Lake	–	–	–	–
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 January 31, 1997	Fiscal year expenditures	Writedowns	Balance January 31, 1998
Diavik	$ 53,428,587	$ 13,475,053	$ –	$ 66,903,640
Camsell Lake	2,246,707	1,251,380	–	3,498,087
Kuujjua	2,311,672	12,107	–	2,323,779
West Greenland	1,411,103	1,476,347	–	2,887,450
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

(a) Diavik:

The Company holds a 40% 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% interest, which DDMI's affiliated company earned pursuant to a previous agreement whereby it paid the Company $300,000 and incurred $9,700,000 of expenditures. The core claims are subject to aggregate royalties of approximately 2%.

In March 1998, the Company and DDMI filed the Project Description for the Diavik Diamonds Project with the Canadian federal government. The filing commenced the environmental assessment process for a proposed diamond mine at the Diavik site.

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

(b) Camsell Lake:

The Company holds a 32.24% interest in the Haywood claims and a 45% 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% Gross Overriding Royalty for diamonds, of which 3% of the royalty can be purchased from the holder for a total of $2,000,000. Subsequent to January 31, 1999, a dispute developed 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 involves the Company's participation in the proposed $12,400,000 exploration budget for 1999. The Company has been informed by Winspear that Winspear takes the position that the Company is deemed to have elected not to participate in the 1999 program and budget and that Winspear intends to pay for the entire 1999 program and thereby reduce the Company's 32.24% interest in the project to approximately 16%.

Winspear's position appears to be based on the assertion that notice of the Company's intention to participate in the program was not given in writing, in strict accordance with the terms of the Joint Venture Agreement. The Company asserts that Winspear is estopped from taking that position or that alternatively, the Company is entitled to relief from any alleged forfeiture by reasons of the provisions of British Columbia legislation known as the Law and Equity Act. That statute gives the Court the power to relieve a party from the consequences of a penalty or forfeiture. Winspear does not accept the Company's position and the Company instructed counsel to commence proceedings forthwith to enforce its rights. Although it is impossible to predict the outcome of any litigation with certainty in its early stages, it is management's view that the Company has a strong case.

(c) Kuujjua (Victoria Island Nickel):

During the year ended January 31, 1998, the Company increased its interest in the Kuujjua Nickel property to 100% by acquiring the remaining 20% interest for cash consideration of $50,000 and a 1% net smelter return royalty. In July 1997, the Company entered into an agreement with Victoria Exploration and Mining Co. Ltd. ("VEMC"), a unit of Billiton International Services Limited, to jointly explore the property. Under the agreement, VEMC could earn a 50% interest by making payments and exploration expenditures of $5,000,000 by January 1, 2002 and a further 10% by spending an additional $5,000,000 by January 1, 2004. The agreement was terminated by VEMC on March 4, 1999.

(d) West Greenland:

The Company has an option to acquire a 50% interest in approximately 99.7% of 814 square kilometres of mineral licence and a 25% interest in the remaining 0.3% of the licence by completing either 10,000 metres of drilling or committing to take a 1,000 tonne bulk sample. The option is contained in a diamond exploration agreement entered into during the year ended January 31, 1997 between the Company and Platinova A/S, a company with which Aber has certain common directors. To maintain the licence, the Company must satisfy a work commitment imposed by the Mineral Resource Administration for Greenland.

(e) Sunrise:

The Company holds a 50% interest in the Sunrise property pursuant to a joint venture agreement, subject to a royalty based on 5% of the net profits.

(f) Crystal and Gem:

The Company has options to earn up to a 70% interest in each of these properties by incurring exploration expenditures of up to $5,250,000 on the Crystal property and $2,450,000 on the Gem property. The options are contained in two exploration agreements entered into during the year ended January 31, 1999 between the Company and Tyler Resources Inc., which has a 100% interest in both properties. The Crystal property is subject to a 2% Net Proceeds Royalty.

5. Share capital:

(a) Authorized:

100,000,000 common shares (1998 - 100,000,000) without par value.

(b) Issued:

	Number of shares		Consideration
Balance at January 31, 1997	37,067,883	$	109,363,463
Shares issued:			
On exercise of options for cash	535,000		1,940,450
On exercise of warrants for cash, net of issue costs	500,000		9,489,617
Common shares subscribed for but not issued (*)	375,000		7,912,500
Balance at January 31, 1998	38,477,883		128,706,030
Shares issued:			
On placements for cash (**)	7,275,000		103,561,930
On exercise of options for cash	25,000		321,750
Balance at January 31, 1999	45,777,883	$	232,589,710

(*) 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.

(**) 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 of $4,423,072, were $98,476,929. 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 were $5,085,001 after costs of $29,999 and a $1,141,250 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:

Outstanding options at January 31, 1999 and 1998 were as follows:

Expiry		Price	Outstanding January 31, 1998	Granted	Cancelled	Exercised	Outstanding January 31, 1999
June 20, 1999	$	7.87	50,000	–	–	–	50,000
December 19, 1999		7.50	50,000	–	–	–	50,000
May 31, 2000		7.87	650,000	–	–	–	650,000
February 16, 2001		12.87	100,000	–	–	25,000	75,000
July 29, 2006		19.10	500,000	–	–	–	500,000
November 15, 2006		21.10	235,000	–	200,000	–	35,000
January 4, 2007		21.35	75,000	–	–	–	75,000
June 4, 2007		21.10	10,000	–	–	–	10,000
July 30, 2007		21.10	180,000	–	–	–	180,000
March 11, 2008		18.95	–	425,000	100,000	–	325,000
October 8, 2008		8.00	–	30,000	–	–	30,000
			1,850,000	455,000	300,000	25,000	1,980,000

Subsequent to January 31, 1999, directors and officers were granted 205,000 common share options at an exercise price of $10.60 and 70,000 common share options at an exercise price of $10.85, expiring in the year 2009.

(d) Common share purchase warrants:

In April 1997, 1,000,000 warrants were exercised in which the holder acquired one common share at $19.00 for two such warrants. As at January 31, 1999 and 1998 there are no warrants outstanding.

6. Income taxes:

The accumulated balances available to reduce future years' taxable income are as follows:

Canadian exploration and development expenditures	$	47,372,168
Foreign exploration and development		4,527,681
Capital cost allowance		367,635
Financing expenses		4,015,846
Earned depletion		170,000
	$	56,453,330

Included in Canadian and foreign exploration and development expenditures and earned depletion, as listed above, is $8,200,000 which can only be deducted from taxable income from specified mineral properties.

7. Commitments:

(a) The Company has various commitments relating to its interest in mineral properties which are in the ordinary course of business. The Company's interest in the properties may be subject to dilution on an expenditure ratio basis and may be converted to a net profit interest in some cases, if the Company elects not to contribute its share of expenditures. The Company is required to make expenditures over fixed periods of time in order to maintain its interest in certain properties.

(b) 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.

8. Segmented information:

The Company has one operating segment, mineral exploration, and all assets of the Company at January 31, 1999 and 1998 are located in Canada except for the West Greenland property disclosed in note 4. All revenues for the periods presented were earned from Canadian sources.

9. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effect of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Glossary

Bulk Sample: A large 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 is equal to one carat.

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

Diamondiferous: Containing diamonds.

Diamantaire: An experienced diamond dealer.

Diatreme: A generic term describing a volcanic vent or pipe drilled through the enclosing rocks by the explosive energy of gas charged magmas. No specific lithology or orientation is implied.

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

Diluted: A reserves or resources calculation that takes into account the natural dilution that occurs during mining.

Feasibility Study: A complete study of sufficient detail and accuracy to be used for project decisions and financing purposes. The feasibility study contains cost estimates, mine plans, ore grades and annual schedules, the results of extensive test work and general arrangement plans.

Gem Quality: Subjective assessment of a mineral specimen's ability to be cut and/or polished for use in the jewelry industry.

Geophysical Survey: The exploration survey of an area in which physical properties of the underlying rocks and minerals are used to differentiate and/or target desired deposits of metals and/or minerals. Common physical properties targeted for geophysical surveying include: magnetism, electrical conductivity and resistivity and density.

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.

Heavy Media Separation (HMS): A physical process used to separate and concentrate diamonds or other valuable minerals from other constituent minerals.

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) sheet-like complexes known as dykes. Kimberlite deposits may or may not contain diamonds.

Macrodiamond: Any diamond that has a dimension in excess of 0.5 millimetres.

Microdiamond: A diamond less than 0.5 millimetres in its longest dimension.

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.

Mini-bulk sample: A sample of as much as several hundred tonnes in weight, usually extracted by large diameter drilling, to establish the grade of a kimberlite deposit.

Scrubbing: A process of washing material with water.

Undiluted: A reserves or resources calculation which does not take into account the natural dilution that occurs during mining. The amount of mining dilution depends on the mining method and the configuration of the mineable reserve. Typical open pit dilution is four to five percent.

Xenolith: A fragment of a rock included in another rock.

X-ray Sorting: Mechanical device that produces the final concentrate of diamonds and associated heavy minerals by use of x-ray. Machine uses the characteristic fluorescence of diamonds to identify their presence: a jet of air is triggered to separate out the diamonds from the rest of the material being processed.

Corporate Directory

Board of Directors

Robert A. Gannicott
Chairman of Platinova A/S.
A director since June 1992. Chairman of the Marketing Committee.

Kenneth G. Hanna
President and Chief Executive Officer of Aber Resources Ltd. A director since July 1996.

John C. Lamacraft
Chairman and Chief Executive Officer, Jascan Resources Ltd. A director since February 1996. Chairman of the Compensation Committee and a member of the Audit Committee and the Marketing Committee.

Honourable Donald S. Macdonald, P.C., C.C.
Counsel at McCarthy Tétrault, Barristers & Solicitors. A director since February 1999. Member of the Audit Committee and the Nominating and Corporate Governance Committee. 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.

John H. Parker, O.C.
Corporate Director. Chairman of the Board of Aber Resources Ltd. A director since December 1992. Chairman of the Nominating and Corporate Governance Committee and member of the Compensation Committee. Formerly Commissioner of the Northwest Territories and Mayor of Yellowknife.

J. Roger B. Phillimore
Corporate Director. A director since November 1994. Chairman of the Audit Committee and member of the Compensation Committee, Nominating and Corporate Governance Committee, and the Marketing Committee.

D. Grenville Thomas
Corporate Director. Honorary Chairman and Founder of Aber Resources Ltd., and a director since July 1980. Member of the Nominating and Corporate Governance Committee.

Eira M. Thomas
Vice-President, Exploration of Aber Resources Ltd. A director since April 1998. Member of the Audit Committee

Transfer Agent & Registrar

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510 Burrard Street
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and
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Head Office

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Fax: (604) 685-8359
e-mail: aber@aber.ca
Internet: www.aber.ca

Senior Officers & Management

D. Grenville Thomas
Honorary Chairman

John H. Parker, O.C.
Chairman of the Board

Kenneth G. Hanna
President & Chief Executive Officer

R. Michael Jones
Vice-President, Corporate Development

Eira M. Thomas
Vice-President, Exploration

Alan J. Bayless
Manager, Investor Relations & Corporate Affairs

Michael E. Ballantyne
Manager, Northern Affairs

Annual General Meeting

TSE Conference Centre,
Toronto Stock Exchange
Lobby, The Exchange Tower
2 First Canadian Place
Toronto, Ontario
Friday, July 30, 1999
10:00 am

Auditors

KPMG LLP
Chartered Accountants
777 Dunsmuir Street
Vancouver, British Columbia
Canada, V7Y 1K3

Stock Symbols and Exchanges

Toronto Stock Exchange: ABZ
NASDAQ: ABERF

Capitalization:*

Authorized: 100,000,000
Issued: 45,777,883
Fully Diluted: 48,032,883
*As of April 30, 1999

	ABER RESOURCES LTD. STOCK TRADING HISTORY			
	Feb. 1, 1998 to Jan. 31, 1999		Feb. 1, 1997 to Jan. 31, 1998	
	TSE C$	NASDAQ US$	TSE C$	NASDAQ US$
High	19.50	13.75	28.50	20.75
Low	6.80	4.38	12.00	8.50
Close	10.00	6.75	15.50	10.59
Avg. Daily Volume	91,615	11,473	167,238	11,473

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, the Exploration section 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 the completion of the feasibility study, 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.

CURRENT RESEARCH REPORTS

Dealer	Analyst	Phone	Date of Report	Latest Update
CIBC World Markets	Jack Jones London, England	44-171-234-6431	Mar. 11,1999	—
Nesbitt Burns	Steven Butler Toronto	(416) 359-6199	Feb. 18, 1999	Apr. 20, 1999
ABN-AMRO Inc.	Vahid Fathi, D.Sc Chicago	(312) 855-7206	Feb. 8, 1999	Apr. 19, 1999
RBC Dominion Securities	John Barker London, England	44-171 653-4600	Jan. 22, 1999	Feb. 4, 1999
BOE Securities	Hilton Ashton Johannesburg, South Africa	2711-302-1208	Dec. 3, 1998	—
Canaccord Capital Corp.	David James Winnipeg	(204) 988-9602	July 8, 1998	May 7, 1999
TD Securities Inc.	Terry Bell Toronto	(416) 307-9396	Apr. 1, 1998	Apr. 20, 1999
Bunting Warburg Dillon Read Inc.*	Brian T. MacArthur, CFA Toronto	(416) 364-3293	Mar. 12, 1998	Apr. 21, 1999
First Marathon Securities Limited	Kerry Smith John Lydall Toronto	(416) 869-7117 (416) 869-6663	Mar. 3, 1998	Apr. 21, 1999
Yorkton Securities Inc.	Greg Barnes Toronto	(416) 864-3665	—	Apr. 20, 1999

*Leader of a $102.9 million equity financing by Aber in June 1998
This list is provided for information purposes. It is not an endorsement of any analyst or report and is not necessarily a complete list of all reports.

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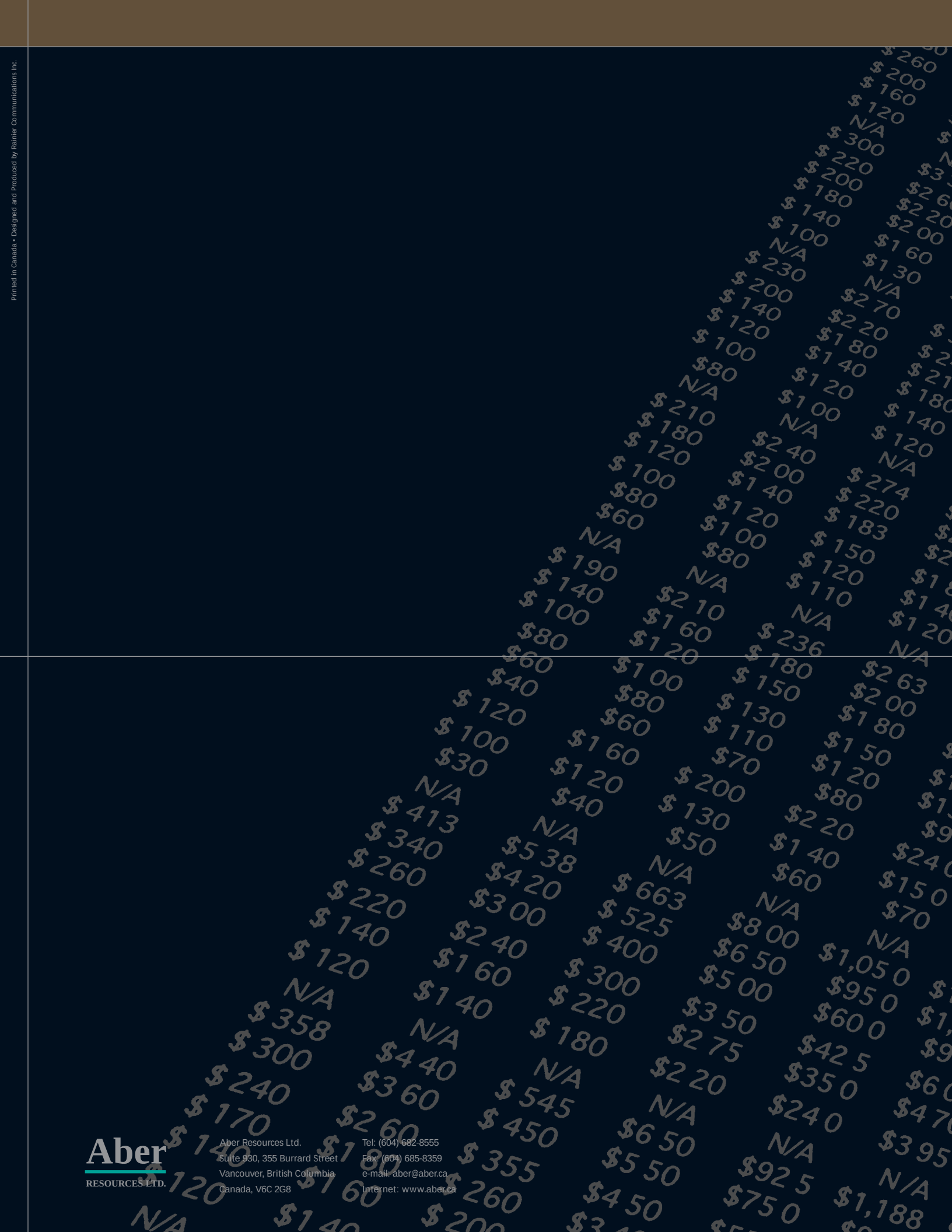

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