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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to Dominion Diamond Corporation's fiscal year 2013 first quarter conference call. My name is [Sherita] and I'll be your conference coordinator for today. At this time, all participants are in a listen-only mode. And we will conduct a question-and-answer session towards the end of today's conference. As a reminder, this conference is being recorded for replay purposes. Please note that we will be making some forward-looking comments today.

Various factors and assumptions were applied in deriving these comments, and actual results could differ -- excuse me, materially. The principal factors and assumptions that were applied, and risks that could cause our results to differ materially from our current expectations, are detailed in our filings with Canadian and United States securities regulatory authorities and can be found at www.sedar.com and www.sec.gov.

During today's call, we will also be discussing certain non-IFRS financial measures such as EBITDA. EBITDA does not have a standardized meaning according to the IFRS, and Dominion Diamond defines it as sales minus cost of sales and selling, general and administrative expenses. Please see the press release and the MD&A we filed yesterday for further information about this non-IFRS measure. I would now like to turn the representation over to your host for today's call, your Chairman and CEO, Mr. Bob Gannicott. Please proceed.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Okay. Thank you and good morning, everyone. Welcome to our first quarterly call of Dominion Diamond Corporation. We're the new owners of a control interest in the Ekati Diamond Mine as well as, of course, is our ongoing 40% interest in the neighboring Diavik Diamond Mine. And on the call today is Jim Pounds, who heads up our diamond sorting and sales as far as myself here, we're both in Yellowknife and Wendy Kei will speak right after me in a minute and Wendy is in Toronto for the time being although she'll be moving to Yellowknife at the end of July.

So during the first quarter of this financial year 2014, we sold Harry Winston Inc. including the name, which is an integral part of the brand, And purchased the controlling interest in both the Core and Buffer Zones of the Ekati project. These transactions have been previously reported in detail so I won't dwell on them again here except to say that the newly named Dominion Diamond Corporation has realized a gain of approximately $498 million on the sale of Harry Winston Inc. and [expended] approximately $553 million on the purchase of the Ekati interest.

As of the end of the first quarter, the Company had $231 million in cash as well as a further $126 million, supporting reclamation bonds for the Canadian government. The Company currently has $230 million of rough diamond inventory on hand, comprised of $145 million of Ekati goods and $85 million of Diavik goods. As you can imagine, the acquisition of Ekati, coupled with the sale of the Harry Winston luxury brand business, has certainly been challenging from the point of view of seamless financial reporting and it will continue to be so for the balance of this year.

Our Chief Financial Officer, Wendy Kei, will now rise to the challenge of taking you through the first quarter financial reporting. She'll be followed by Jim, who will discuss our diamond sales in the context of the current diamond market. I'm then going to return to discuss the current mining operations for both Ekati and Diavik before handing the call over to your questions.

Wendy Kei - *Dominion Diamond Corp - CFO*

Thank you, Bob, and good morning, everyone. As Bob mentioned, the first quarter is an exciting complex with the sale of luxury brand and acquisition of the Ekati Diamond Mine. As a result, our segmented reporting had to evolve with the two transactions. Our fourth quarter annual results, which we released on April 3, were reported with basically one reporting segment representing Dominion Diamond Corporation, which comprised the Diavik Diamond Mine and the corporate segments together. The results of the luxury brand segment were reported and continued to be reported as discontinued operations.

Our first quarter results now include three segments - Diavik Diamond Mine, Ekati Diamond Mine and the corporate segment. The corporate segment captures those costs not specifically related to the operations of the Diavik or Ekati Diamond Mines. As highlighted in our release yesterday, current and prior years have been re-casted accordingly. I should also explain how the Company accounts for the Ekati Diamond Mine, which is different from how we account for the Diavik Diamond Mine. The Company consolidates the Ekati Diamond Mine on a 100% basis, with minority shareholders presented as non-controlling interest in the financial statements.

I will now discuss the financial review of our mining operations, starting with consolidated results followed by our three segments. The first quarter's net profit attributable to shareholders was $500.2 million, or $5.89 per share, compared to $11.6 million, or $0.14 per share for the prior year. Included in net profit attributable to shareholders was a $497.6 million after-tax gain on the sale of the luxury brand segment.

The Company's net profit from continuing operations attributable to shareholders, which now represents the Diavik and Ekati mining segments along with our corporate segment, was $2.8 million, or $0.03 per share, compared to $6 million, or $0.07 per share in the comparable quarter of the prior year. Consolidated sales from continuing operations increased 22% from the first quarter of the prior year while operating profit decreased by 14%, primarily due to $11.3 million of transaction costs associated with the Ekati acquisition. During the first quarter, the Company also spent $1 million out of a fiscal 2014 budget of $2 million on exploration on its Lac de Gras property.

I will now discuss our three segments in detail beginning with Diavik. First quarter sales of $88.9 million from the Diavik Diamond Mine was consistent with the comparable quarter of the prior year resulting from a 29% increase in rough diamond prices, offset by 23% decrease in carats sold. Sales in the first quarter of the prior year included the sale of almost all of the remaining lower-priced goods, originally held back in inventory by the Company at October 31, 2011, due to an oversupply in the market at that time. Rough diamond production during the quarter increased 21% from the comparable quarter of the prior year. The increase in production was primarily due to improved grades in each of the kimberlite pipes.

Cost of sales from the Diavik Diamond Mine was $61.9 million, resulting in a gross margin of 30.4% compared to cost of sales of $70.1 million and a gross margin of 21.2% for the prior year. The SG&A reported for Diavik relates to the costs associated with selling and marketing the Diavik diamonds. The Ekati Diamond Mine generated sales of $19.9 million for the period of April 10 to April 30. The sales achieved for these 20 days related to solely to the higher-value, higher-quality Ekati diamonds.

Cost of sales from the Ekati Diamond Mine was $19.6 million, resulting in a gross margin of 1.4%. The Company estimates that cost of sales would have been approximately $13 million, resulting in a gross margin of 35%, excluding the market value adjustment made as part of the purchase price allocation for the acquisition. Basically, this represents a mark-to-market adjustment on the acquired inventory. I will discuss the purchase price allocation that we have to make later on and SG&A reported for the Ekati relates to the costs associated with selling and marketing of the Ekati diamonds. For the corporate segment, SG&A included $11.3 million of costs related to the Ekati transaction, which I mentioned earlier.

I would like to now discuss our balance sheet. As you can see, we have a very strong balance sheet, April 30, after paying $551 -- $553.1 million for the Ekati Diamond Mine in cash. We had cash and cash equivalents of $231.2 million and restricted cash of $125.6 million used to support the Ekati reclamation bonds. We also have short-term debt of $78.5 million outstanding at April 30. Included in short-term debt was $50 million that we had outstanding on our secure facility which was repaid in full on May 31. You may recall that we had arranged new secured credit facilities consisting of a $400 million term loan, $100 million revolving credit facility and $140 million letter of credit for our Ekati acquisition. However, the Company ultimately decided to fund the Ekati acquisition by way of cash on hand and did not draw down on these new facilities.

As with any significant acquisition, Dominion Diamond Corporation has 12 months to finalize the purchase price allocation for the Ekati transaction. In layman's terms, this means allocating the purchase price of $553.1 million to the fair value of assets required and liabilities assumed, such as inventory and property, plant and equipment, for example. The mark-to-market adjustment in inventory will result in minimum contribution to the earnings of the Company until the opening acquired inventory has been sold. A preliminary allocation has been included in Note 4 of our financial statements. Our preliminary allocation currently shows goodwill of $42.4 million and the Company expects to finalize the purchase price allocation in the next fiscal quarter. Now let me turn the presentation over to Jim to discuss the diamond market in more detail.

Jim Pounds - *Dominion Diamond Corp - EVP - Buying/Sourcing*

Thank you, Wendy. During the first quarter, total sales were $108.8 million which comprised of 0.78 million carats for $88.9 million from the Diavik production and 0.01 million carats for $19.9 million from the Ekati production. This is the first quarter we've been able to work with both productions. We have quickly appreciated how much the integration of the two world-class productions will deliver in synergies and efficiencies, not only in the area of sorting and sales, but will also allow us to further refine our sales parcels and play to the strengths of our manufacturing clients, enabling them to fill the requirements of their retail customers.

As we assimilate the Ekati production, we are currently in the final stages of a legacy sales system where Ekati goods are sold by an auction process, based on different size assortments spread over a number of weeks, both on a spots and contractual basis. The reason that the first quarter Ekati sale had such a high dollar per carat was that the only sale of Ekati goods that took place between the acquisition on the 10th of April and the end of the quarter was the auction of the high-value plus to carat goods. As you know, we sell the Diavik production 10 times a year in Antwerp and India in boxes specifically tailored to our clients' needs. And it's our intention to move to our more client-focused way of selling by November of this year.

During the period under review, we saw rough prices increase by just under 5% as the diamond market was galvanized by the restocking of the major markets after the Christmas and Chinese New Year seasons. Demand remained solid for the quarter while cutting center stocks were low and shortages were evident in areas of high activity. This renewed level of activity was based on solid fundamentals with no evidence of the speculative pricing that disrupted the market in early 2011. The upward trend in the market has been led by the US, as the economy there continues to improve. As shown by the recent results from Tiffany's, Signet and Zales, three of the largest jewelry chains.

The US remains the largest and most developed diamond market and the renewed vigor will deliver a significant upside for the diamond jewelry market as the economy revives. It is because of this strong activity that the biggest rise in polished prices during the quarter were the typically US -focused commercial ranges, where the shortages were evident. In addition, there has been increased activity in the better ranges that is, plus 0.5 a carat, with additional Chinese and Japanese engagement rings, an area where prices have been languishing for some time. It is possible that this area and more especially, the area of larger goods, have been helped by the positive reviews from the auction houses around the world.

Although macro uncertainties in both the Chinese and Indian markets have not yet allowed a return to the high levels of diamond jewelry growth of previous years, retailers remain optimistic in both regions for continued growth in jewelry sales and they are pressing ahead with expanding their retail net growth into the second and third tier cities. Jewelry sales in the Chinese New Year period provided a solid input as to the beginning of the quarter, which was then followed by a positive Hong Kong Show, giving a fillip to both rough and polished prices.

The Indian retail market may not be as advanced as China, but the positive development is evident in the first months of this year. The Rupee-Dollar exchange rate, a factor that clearly influences this market, has been steady until recently and this helps price stability not only at the retail level but they're also for the important Indian polishing sector. This sector has also felt the pressure of tightened liquidity as the diamond bankers have reviewed any growth in their advances to the industry. I'll now pass you the call over to Bob.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Thanks, Wendy and Jim. Regarding operations then, well, first of all, I'm pleased to welcome the appointment of Chantal Lavoie to be responsible for our mining operations in the Northwest Territories. Chantal comes with a distinguished history of managing production, development, pre-production evaluation and permitting operations for the De Beers in Canada at both the Snap Lake and Victor mines as well as the advanced permitting stage of the Gahcho Kue project shared with Mountain Province. He's well known to contractors, regulators and [first nations] groups in the Northwest Territories. He's therefore ideally equipped to handle the current and future challenges of Ekati as well as our oversized Diavik project managed by Rio Tinto.

I'm also very pleased to welcome Brendan Bell to our senior management group. Brendan has spent his entire life in the north, and has served not only as a member of the Legislative Assembly of the Northwest Territories, but also as a Minister. He continues to serve as Chairman of the Northwest Territories Power Corporation responsible for electrical power generation throughout the territory. Brendan brings a lifetime of relationship with all levels of government from tribal through territorial to federal. We see relationships of mutual trust as being fundamental to our ability to accept mine life at Ekati. Our appointment of a man of Brendan's stature to such a senior role reflects our commitment to this.

Another important addition to our senior leadership team is Bob Overvold, who will head up our Environment and Communities Departments. A lifelong Northwest Territories resident, Bob served both as Deputy Minister with the Government of the Northwest Territories and later the region's senior bureaucrat with Canada's Department of Indian and Northern affairs. His understanding of the Northwest Territories permitting regime as well as a long and distinguished career working in Aboriginal communities will serve us well as we seek to enhance and improve our local partnerships.

Turning to the two mining operations then, we acquired the Ekati interest during April, the final months of this reporting period. The results from that brief interlude do not therefore reflect any future trajectory. It's our expectation that on a cash basis, Ekati, as a total operation, will more or less, wash its own face if you like, during both this year and next as cash operating margin is reinvested primarily in completing the development of the Missouri open pit, which will be the main ore source for the balance of the current reserve life as well as delivering the return on the purchase investment.

The main attraction of Ekati to us beyond this is the potential to develop sizable, additional resources, principally The Jay kimberlite pipe, where some 10 years of additional mine life at current production rates resides in a single kimberlite pipe. The underwater location of Jay, around a kilometer from the shore of a sizable length presents unique challenges, however. We've already started on a process of identifying financially viable development alternatives for this opportunity, with the objective of defining a way forward by the end of this year. Diavik continues to perform ahead of its production budget and modestly below its budgeted operating costs. An upward revision to production targets for this and subsequent years is expected at the end of the calendar quarter.

We've had a successful start to our own exploration program on a large property to the southwest of Diavik and on trend with The Jay, Missouri and Diavik kimberlite pipes. We've now almost completed the first phase program of around 520 holes drilled to sample basal till and characterize bedrock in the area. Early inadequacies confirm the presence of kimberlite indicator mineral anomalies in areas not associated with previously known kimberlites. Following a break from mid-June until the end of July to complete sample processing, we'll start follow-ups at phase of this project in early August. The project is owned jointly with North Arrow Minerals, who will own 45% interest following the completion of $5 million of expenditures by Dominion. This first phase of the program is expected to expend approximately $2 million.

In summary then, we're very pleased with what we see at Ekati so far. We've now put in place a first-class management team to manage the special resources in their special locations. We'll all be truly based in Yellowknife to keep very close contact with both the assets and other stakeholders through a focused effort to deliver value through both extended mine life and enhanced operating efficiencies. So thanks for listening to us. And we're now ready for your questions.

QUESTIONS AND ANSWERS

Operator

Thank you, Bob.

(Operator Instructions)

Oliver Chen, Citigroup.

Nancy Hilliker - *Citigroup - Analyst*

It's actually Nancy Hilliker filling in for Oliver. Thanks so much for taking my question and congratulations on the quarter.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Thank you.

Nancy Hilliker - *Citigroup - Analyst*

I'd like to just ask a little bit about your expectations for the continued restocking in China and what your thoughts are in terms of future growth, at least in 2Q or the rest of the year in general? And also if you could just give us some idea of what sales you're expecting for Ekati in 2Q so we can get a little bit of a pricing estimate as to what we should expect for prices in Ekati?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Okay. Over to you, I think, Jim.

Jim Pounds - *Dominion Diamond Corp - EVP - Buying/Sourcing*

Thanks very much. So to deal with the Chinese question first, the sales, I think, to date have been pretty good. What I was trying to emphasize in my section was the fact that there has been a reduction in the growth in China but that was almost astronomic at a certain point in time. So we would certainly see it continue in those double-digit growth around as the companies expand, particularly in Chow Tai Fook and Chow Sang Sang into the second and third tier cities. So we have full confidence that they will continue to grow and grow in a very solid basis but not at the rates that we saw in 2011. So it's -- we're really -- things are very positive there.

In fact, if I remember rightly, we saw Tiffany had very strong sales growth in the area in like-for-like shops and also in the month of April, there was almost -- which was in the lead up to May Golden Week, there was a -- in Hong Kong, an astronomical sales growth of almost 70% over the same period last year. So the area looks very, and of course, one must not forget the -- lot of the growth aimed at the Chinese customer is not just focused on mainland China but also in the area of tourist sales, both in Europe and in North America.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

I think the other part of the question, maybe are you able to answer that off the cuff or do we have to get back --

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Jim Pounds - *Dominion Diamond Corp - EVP - Buying/Sourcing*

No. I think I'd rather get back to you on the other part of the question, if I may, Nancy. Thank you.

Operator

Des Kilalea, RBC.

Des Kilalea - *RBC Capital Markets - Analyst*

Couple of questions. Bob and then maybe just one for Jim, if I may, the timing of -- can you give us some idea of the timing of the mine plan for Ekati that you mentioned in the release? And also what staffing you're looking at for Ekati, are you going to be losing a lot of the BHP people? And then just maybe deal with some of the synergies. Then just for Jim, if you could maybe help give a better idea on the break between commercial US diamond trends and what he sees for the better qualities?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Okay. So let's start with the mine plan. I guess the first challenge I should note -- I'm sure you do know because you probably cover -- BHP has a June 30th year-end and therefore, all of their plans and financial models and so on and budgets are built around that mid-year/year-end, so we have to transform that now, both on a budgetary sense and also the production budgets and so on into our own year-end of January 31. And that's a process that I think Wendy expects to take the next quarter, so -- or at least I think we plan to be able to deal with that, the financial budget and so on in our second quarter call. And that will apply also to the mine plan as the revisions can be explained.

One of the fundamental challenges that we have with the mine plan is that the regulations only allow us to report production that is in reserves. We will be putting a lot of material through the processing plant this year and next that comes from a satellite kimberlite pipe in the Misery pit that we mine away as we advance the lay back of the pit shelf. And that material -- even though it's being processed before and therefore, we have some knowledge of it, we're not allowed to report it. It seems ridiculous that you -- material that you're actually running through your processing plant, you cannot acknowledge as having any value but nonetheless, that's the way it is.

I don't think we quite really figured out how we're going to try and guide you all through that, but we'll do our best. So I think the bottom line answer is for the end of Q2, the Q2 reporting, we will have more intelligible mine plan and budget for you. So that's the first part of the question. What was the next part?

Des Kilalea - *RBC Capital Markets - Analyst*

Staffing and synergies.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Staffing, well, there's only a very few people that are, if you like, BHP employees that are moving on to other BHP projects. All of the rest are local employees. And the ones that we're with -- we've got to change the structure of the Company somewhat, obviously, instead of having a head office in Melbourne, then another office in London, and then having an asset president that comes from one of those offices here in the Yellowknife. We've obviously changed it completely with my being here in Yellowknife so then flattening a [write-outs] so underneath me there is a topline group which is Wendy Kei as the CFO, Brendan in charge of everything that really isn't directly mining, Jim Pounds in charge of diamond sorting and sales. So there's up that top, and of course, Chantal in charge of the mining. And Chantal, by the way, is arriving at the end of June -- right at the first of July. So we've already got that dealt with.

But there aren't really any other -- other than people, some people that Chantal will want to bring in to replace a departing mine planning engineer, for instance, but I mean, these things are already well in hand. So we don't see that as being any disruption. We will then -- we already started, of course, on reviewing and how everything works here, and what we can do to improve things certainly, but obviously, we see scope for that. But we need Chantal here as well before we start taking radical changes of direction.

Des Kilalea - *RBC Capital Markets - Analyst*

Thanks.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Was there -- there was another part to your question, was there?

Des Kilalea - *RBC Capital Markets - Analyst*

Yes, it was -- just really you've answered it. I was wondering if you had any idea on the synergies but your last comments answered that actually.

Operator

Tyler Broda, Nomura.

Tyler Broda - *Nomura Securities - Analyst*

The -- two questions I have. The first question is in terms of the actual areas of improvements at Ekati, can you guide us towards, from the mining side, if there's anything that you've got your hands on yet in terms of potential efficiencies there or do we still need to wait for that? And aligned with that, with all of these changes, what should we expect for the corporate G&A?

And then my second question is if there is to be, perhaps Rio Tinto ends up listing its diamond business, what would your plan be at this point with the cash on the balance sheet and how would you look towards returning capital to shareholders?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Right. Okay. Well, all very easy questions, of course. Yes. (laughter) I think it's just really too early to get details about changes that can be made at Ekati. There clearly are some and obviously, the simple ones are the fact that we already have a Diamond Sorting and Sales Group so we don't need to duplicate that effort. We've already very much come to grips of that and are making the changes that will streamline all of that into one, moving some people from Toronto up to Yellowknife so we can really deal with sorting and diamond supply directly from here. But in all, this will flow into engineering functions and supply chain functions as well as we -- once we get the full management team here, with Chantal and we can start progressing through that. But to start -- steer you towards what's that going to mean for the SG&A, I think it's way too early to do that other than that I can tell you that the next quarter of SG&A won't include the fees that we had to pay in this quarter that we just reported on with respect to the Ekati transaction. So then I guess the question is, what we would have to be paying the fees on another transaction?

Tyler Broda - *Nomura Securities - Analyst*

That was my next question.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Well, I mean, I don't make decisions for Rio Tinto, of course. We've all read the press. I'm happy with the position that we have there. The Ekati, Ekati is different than Diavik. The charm of Ekati is, of course, being able to make what's there work financially better in various ways, but the big attraction really is being able to bring in to the mine plan these large-scale resources. The Jay is a very large-scale pipe, 2.2 carats a ton, recent diamond price estimates in the $65 to $70 range per carat. So once we've figured out a way to actually get in it, that can be managed in an environmental sense, it then represents more than 45 million tons of 2.2 carats per ton material. It's a big prize and that is the reason, really, that we're there.

Diavik, I view as more of a cash flow model from here on. There are no additional resources that are on the [come] as it were on the Diavik project. The ore bodies are well-defined. The beauty of it is they're developed; they're being increasingly tightly managed so that they can deliver more and more cash flow. I expect to see production rates to increase there while operating costs, which in this kind of environment, tend to be very fixed anyway while the operating costs are held in check and therefore, there's going to be a good amount of cash flow out of that.

What we then have to do is take a look at cash flow from Diavik coupled with development opportunities at Ekati. In other words, if we can put Jay in production, what's it going to cost and we will be able to utilize the cash flow from Diavik and the cash flow from Ekati as well from the Misery pipe to develop Jay, and that's the long-term horizon. And at that point, we can then -- I mean, we're not going to sit on cash for no purpose whatsoever. If it can't be deployed in development and of course, there's going to be a big revenue stream out of Jay. If there aren't property development opportunities in front of us, then we will return the cash to shareholders. Does that (multiple speakers) cover it for you?

Tyler Broda - *Nomura Securities - Analyst*

That's very, very good. Thank you so much.

Operator

(Operator Instructions)

John Hughes, Desjardins Securities.

John Hughes - *Desjardins Securities - Analyst*

Just a couple quick questions. Thank you, Bob, for your view like that breakdown on strategy. I just wanted to summarize because you went through quite a bit, but you quoted as saying that you're very happy with your existing ownership in Diavik and that your focus remains longer-term development specific to the Jay at Ekati. Is that a reasonable summary of what you just went through?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Yes, it is. I don't mean to imply that I'm completely disinterested in Rio sale process and we wouldn't buy it, but for us to purchase a 60% interest in Diavik, it has to be -- it would have to be at a price that represents a return to us based on what is a simple cash flow model. We're really just balancing mining risk against diamond price upside and we also have to take as a reference, our own share price. There's not much point in paying something that the market isn't going to reward you for in your share price, so --

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John Hughes - *Desjardins Securities - Analyst*

That's great. I think that's what the market wants to hear, to tell you the truth.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Fair enough. I mean it's -- but it just seems to me, that's the only logic can do that -- there's no point in buying things just to have more diamonds. If it's not going to be -- not going to deliver profitability, then I'm quite happy to stay where we are.

John Hughes - *Desjardins Securities - Analyst*

Awesome. So a bit of a granular question but for the next year at Ekati, like in modeling, I had not broken out Koala into anything other than Koala and Koala North. And now I have the two phases, 5 and 6, with different estimated sales cycles and average pricing and that type of thing. I'm just wondering for modeling purpose, if I'm modeling Koala on two phases, would I be sourcing the two different ore types equally through the course of the next year or is one heavier versus the other type of thing?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

One is heavier versus the other and we can give you a map of that, but it would require a bit of a longer period of time than just this phone call but we can get you that.

John Hughes - *Desjardins Securities - Analyst*

That's great. That's great. And last point. You have a nice clean balance sheet as it stands right now and I know that Wendy had stated that there may be more changes to come with regards to the purchase price allocation and that type of thing. But in terms of your three arranged debt facilities over the course of this year, do you intend on drawing on any of those three facilities?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Not -- there aren't many financial questions that I could answer for you but I can answer that one, I think. What we want to do, really, is to rearrange that facility. That facility was designed to cope with the purchase of Ekati if we had not closed the swatch transaction in time to be able to use that cash. That was really the way that it was designed. So we now need a different form of facility which is basically -- which basically could act like a standby facility in the event that there's business to be done with Rio Tinto, and also as a revolver to cover -- to move us through various bumps and troughs. So the facility will be redesigned along those lines. But it's too expensive -- the ticking fees, the standby fees on the facility as it's got currently structured are not very user-friendly for what we wanted for going forward.

John Hughes - *Desjardins Securities - Analyst*

Yes, that was one of my questions into the G&A costs and that type of thing, but that's great. Last question, are you in discussions with Rio now or if you've had them and they're sort of off and they're looking to do something else with the asset? Or can you bring us up-to-date on any -- where we are and thought process?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Well, yes, obviously, there are confidentiality agreements as well. I mean, obviously, we're -- I mean, the fact that the answer really -- I don't mean to be glib but the answer is we're always in discussions with Rio; we're their joint venture partner so for instance, we have a joint venture meeting coming up next week. And so there are all sorts of discussions that go on all sorts of levels all of the time. But I think we have to all recognize that Rio had a big change at the top of the company and like any change like that, it wasn't a question of just replacing the guy at the top. The guy at the top then puts his own team around him, so there have been lots -- there's still ongoing changes at the upper end of Rio and they -- those changes push on down through the organization.

So I think we just have to -- there's no point in keeping on knocking on the doors that we're more than leaving them knocking on our door because you're never quite sure whether the person you're talking to today is the one that you'll need to talk to tomorrow. So I think we just have to let things settle down within Rio, see what it is they really want to do. The last that I've read in the -- you would have read it, too, is their reported interest in seeing what they can do with an IPO for the entire business. Clearly, they would prefer to sell their entire diamond business as a unit. We do not wish to purchase the entire unit. We're very focused on the Northwest territories. The place that we know, the place we belong, the place we understand and we don't -- to get involved in something in Australia is just too distant for a Company of our scale.

John Hughes - *Desjardins Securities - Analyst*

Yes, that's a good point. All right, Bob, I appreciate the insight. Thank you. Wendy, good luck with the move as well.

Wendy Kei - *Dominion Diamond Corp - CFO*

Thank you.

Operator

Ned Davis, William Smith & Company.

Ned Davis - *William Smith & Company - Analyst*

You've answered all of my questions, I think, pretty clearly. I had just one refinement on the strategic point. Let's say that Rio does float the IPO or whatever and you never purchased the 60%. Would this mean you would be likely to accelerate your investment in the potential resource -- proven resources at Ekati that you've been talking about? Would this mean you would do it sooner or would it have any bearing on that at all?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

It wouldn't -- I don't think we can do it any sooner than we're doing it. I mean, that was the thing that we started on, the very first day we arrived here. And we've got it on a fast track, as fast as it can be done. One should recognize that the challenges of designing and permitting, particularly permitting, a project of this sort of scale in this kind of location, our -- there is a timeline that is hard to shorten up but we are working on that as fast as we can. I mean, I would point out we will be -- do also have a ROFR, a Right of First Refusal on a disposition of Rio's interest, their 60% interest in Diavik and that certainly does apply in all forms of divestiture, including an IPO.

Ned Davis - *William Smith & Company - Analyst*

My last point, I thought about that. Can you give us any kind of reinterpret -- let's say they just did what was described theoretically in the press as being just an IPO, but would that mean that there would be some evaluation on the Diavik portion of their diamond business?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

I don't think I can get more detailed than that other than to say that we would certainly challenge it.

Operator

Des Kilalea, RBC.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

They're getting better and better at your name now.

Des Kilalea - *RBC Capital Markets - Analyst*

They are. (laughter) Bob, you've mentioned twice the potential for increased production guidance from Diavik. Should we be seeing this therefore as a shortening of the life and material shortening of a life or is it there's more RPR or how should we view that?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

So it's definitely a shortening of a life. As you know, it's a very finite reserve there. I can't remember the actual number, but we can -- I think you've got it and I just can't remember (multiple speakers) but clearly, you accelerate production, you accelerate mine closure. I mean, there's no easy answer to that. It suits us fine because a faster stream of cash flow, that we can deploy at Jay, would be -- would suit us very well, but it certainly does mean a shorter mine life, yes.

Des Kilalea - *RBC Capital Markets - Analyst*

And just on the rehab at Diavik, do you have in the same way you've got the $126 million restricted cash, I think it's $126 million on Ekati, is there something similar for Diavik?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

There is. I can't remember the number. Off the top of my head, I think it's on a 100% basis, I think Diavik is $240 million but we better get you the right number on a 100% basis; we're responsible for 40% of that.

Operator

Thank you for your question. The next question --

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Actually, while we're there, Wendy did you happen to have the number at your fingertips?

Wendy Kei - *Dominion Diamond Corp - CFO*

No. I don't. I'll call Des back.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Okay, thanks.

Des Kilalea - *RBC Capital Markets - Analyst*

Thanks Wendy.

Wendy Kei - *Dominion Diamond Corp - CFO*

No worries.

Operator

Tanya Jakusconek, Scotiabank.

Tanya Jakusconek - *Scotiabank - Analyst*

Wendy, could we get that number, too, in terms of the environmental liability at Diavik? Just Bob, I just wanted to clarify. I know that we talked about Diavik just being a cash flow generator. What about A-21? I mean, obviously, for the development of that, we've got -- I think the last number was about $500 million on a 100% basis. Where does that stand -- you haven't talked about it. Maybe it's because whatever happens to Rio and the sale process, that will have to be reevaluated or are you just deferring that and focusing on Jay?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

No. I mean, obviously, we don't control what -- as you know, the decision on whether or not A-21 goes is going to be made by the owner of the 60%. I don't think for -- I know really that Rio Tinto are not about to wade into that. So it's basically, it's wherever the ownership ends up, what you do about A-21, but it, frankly, becomes much more difficult to fit it into the Diavik mine plan. I mean, we could easily take -- if the -- if Diavik is mined out, then at Jay -- I'm sorry, and A-21 has not been mined, we could easily take the material fees into the Ekati plant. But by accelerating production, you almost put A-21 beyond reach of the timeline required to build the [dike] pre-production stripping and so on and get that ore into the plant in conjunction with the underground ore. And if you can't do it in conjunction with the underground ore, then you cannot just run the plant on the basis of ending up with just A-21, if there just isn't enough value in it to do that. So then it becomes -- it would then become feedstock. It's either stranded or becomes feedstock for the Ekati mill.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. Okay. That answers that. It was just that all of a sudden, nothing was mentioned on the A-21 anymore.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

I didn't mean to be trying to duck it or anything like that. I just think, I think we don't have anything concrete from Rio on that but clearly in the middle of a sales process, they're not going to undertake a--

Tanya Jakusconek - *Scotiabank - Analyst*

No. I just wanted to (multiple speakers) -- yes, sorry Bob, I just wondered if something had changed on the economics of this type.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

No. No. Not at all.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay, and then maybe just coming back to Jay. Just maybe just walk us through. I mean, some of the challenges that you are going to have to face on the permitting, I mean, given we all know it's under a lake. But just maybe some of the things that may be challenging from permitting and/or mining of that pipe?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Yes, I don't think other than the fact to do anything in a lake, is a permitting issue. You -- it's obviously, the lake has fish in it and the -- like any other lake with fish in it, it's protected by Department of Fisheries and Oceans.

Tanya Jakusconek - *Scotiabank - Analyst*

Wouldn't you just move the fish like you had to do at Diavik?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Yes, absolutely, you would. But I just don't -- it is an issue. You have to design to accommodate that and we are thinking, of course, that accommodates that. But nonetheless, that's -- it does become a -- to permit a project up here now, you really have to start off by dealing with the First Nations Groups, get them -- get a fair winds behind you from them, because they are seeing quite rightly as the people that are really somewhat directly affected by these things.

You then really have to deal, of course, with the federal government, federal departments and Fisheries and Oceans is a key part of that. And increasingly, the territorial government because the devolution of a wide range of powers is underway from Ottawa up to the government of the Northwest Territories here. So the government of the Northwest Territories has an increasing voice in these sort of things, which actually we're very pleased about because these are people that we know and have known for a long time; they know us.

So we believe that will make things simpler, but it would be silly to pretend that this is something that's going to happen overnight. It won't. Nobody has ever managed to permit a sizable project up here in less than three years. The Baffinland Iron Project permitting went as fast as I think any project of that scale ever could. I think that was about three years; the more normal timeline in the Northwest Territories has been five years. We think we can hopefully get to the three years rather than the five, but that's sort of the challenge. So that's the permitting challenge. The engineering challenge --

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Tanya Jakusconek - *Scotiabank - Analyst*

Sorry, maybe, Bob, on the permitting, just to end. Anything to do with the water itself like a discharge and/or other movement of this lake? Is that any issue besides fish?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Well, of course, I mean any -- so in other words, you have to protect the water of the lake from contamination because this lake feeds into Lac de Gras. Lac de Gras, in turn, feeds into Redrock Lake and that becomes the Coppermine River, and it's got a char fishery at the mouth of it. So looking after the water in there is absolutely fundamental, but that doesn't mean that it can't be done; it just has to be done a certain way. The engineering challenges, you're a kilometer from the shore. The lake is unusually shallow. This is not like Lac de Gras. It's, A, it doesn't have that kind of surface area but the other thing, it is much shallower. Even though the water depth over the top of the pipe is kind of close to 30 meters, the general -- once you get off the -- once you get away from the top of the pipe, the water depth in the lake is more in the 3 to 10 meter range. So it's not a huge challenge in terms of water depth or anything like that, but we do have to engineer for protection of the water and the fish.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. So dykes again?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Well, not necessarily, but we -- look, we'll have -- we expect to come out with a project design so we're aiming to get it out by Labor Day. We really are on a very fast track here. We've already put together a team of consultants with all the relevant expertise and we're -- we want to try and get an Environmental Impact Statement out as soon as everybody gets back from their cottages after Labor Day. And so at that point then, we'll be able to lay out for you exactly what we have in mind. Maybe we can lay out what we've got it mind sooner than that but we'll have it in a big, the usual wheelbarrow full of documents by that time.

Tanya Jakusconek - *Scotiabank - Analyst*

So when you report your Q2, then we would have some idea on this Jay and the design of it?

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Yes, when do we report Q2, Wendy? When is that?

Wendy Kei - *Dominion Diamond Corp - CFO*

First week in September.

Jim Perrone - *MacDougall, MacDougall & MacTier - Analyst*

Yes. Absolutely, we will.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. Perfect.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

We still have -- we're expecting to have actually the formal Environmental Impact Statement out at that point.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. Perfect.

Wendy Kei - *Dominion Diamond Corp - CFO*

Tanya, back to your letter of credit comment, and Des as well, currently there are $200 million of letter of credit for the Diavik Diamond Mine posted by the operator, which is BGMI so our share of that is $80 million.

Operator

Edward Sterck, BMO.

Edward Sterck - *BMO Capital Markets - Analyst*

So I've got just three questions on regarding the guidance for this fiscal year at Ekati. I think these are probably more questions for Wendy. Just starting with the depreciation, if you annualize the guidance for this year, it's around $55 million. Is that where it's expected to stay for the next several years? And then my second question is on G&A. Is that in addition to the $405 million cost of sales guidance for this year? And my final question's on the purchase allocation costs. I know, obviously, it's still being worked through. Bear in mind, I'm not an accountant. In very general terms, would that $500 million be amortized over the life-of-mine as seen in the current mine plan?

Wendy Kei - *Dominion Diamond Corp - CFO*

Okay, let me take your first question on depreciation. That's what we anticipate for the remaining of the fiscal year including an assumption for purchase price allocation. So when we fair value the assets, and we have to depreciate it, that's all included in the $55 million. Okay. And the same with your G&A, so everything that we report for Diavik -- sorry, for Ekati assumes all the purchase price allocation that we have to make. And --

Edward Sterck - *BMO Capital Markets - Analyst*

Okay. That's great. And just from a tax perspective, those purchase price allocations, are they deductible?

Wendy Kei - *Dominion Diamond Corp - CFO*

First of [print] is yes, it is, okay? And then in terms of your PPA on the depreciation base, some of it is over the life of the offset and some of it's straight line so if it's a truck, it's over straight-line; if it's mine-related, it would be over the life of the mine.

Edward Sterck - *BMO Capital Markets - Analyst*

Brilliant. I think that's -- those are all my questions asked. Thank you very much.

Operator

Thank you for your question. We have no question now. I would now like to turn the call over to Bob Gannicott for closing remarks.

Bob Gannicott - *Dominion Diamond Corp - Chairman & CEO*

Okay, well, I thank you all very much for being on the call. It's really, it's very exciting for us to actually be occupying these chairs now. We believe we can do a lot here that hasn't been done before. And we look forward to getting on with this and report it to you again end of second quarter. Have a good summer in the meantime. Thank you.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This concludes the presentation. You may now disconnect, and have a good day.