FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Harry Winston Diamond Corporation's fiscal year 2011 fourth-quarter and year-end conference call. My name is Towanda and I will 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 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 OSC and SEC filings. I would now like to turn the presentation over to your host for today's call, your Chairman and CEO, Mr. Robert Gannicott. Please proceed.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Thanks, operator. Good morning, everyone, and welcome to the Harry Winston Diamond Corporation's annual and quarterly earnings call for both the fourth quarter and the full year ended January 31, 2011. Such as the nature of our business that the management team members are in very different diverse locations for this call.

I'm in Yellow Knife where our mining business is centered. Frederic de Narp, Chairman of our Luxury Brand Business is in Basel visiting our timepiece business at the Baselworld Fair, which is the most important sales event of the watch world. Alan Mayne, our CFO, is in Toronto, which is our administrative center.

It's been a year of rapid growth in diamond demand, which has had a positive effect on both segments of our business as new customers in emerging markets, especially Asia replaced demand from the traditional markets such as America in the financial crisis. Our luxury brand division experienced an increase in sales of 53% for the year while rough diamond sales increased 49% over the same period.

As recovery in America improves, and development in the BRIC economies continues, the outlook for rough diamond prices led by jewelry sales are expected to be robust. Our business makes the best use of positioning in both ends of the complex but rewarding diamond business.

The recent tragic events in Japan will have some near-term impact on the diamond jewelry business, including our own luxury brand sales. Last year, Japan represented 11% of global diamond jewelry consumer demand and it was 18% of our own luxury brand sales. We're very thankful that our employees are safe and our salons were undamaged. We extend our deepest sympathy to the Japanese people and are confident in their ability to recover from this natural disaster.

I'm now going to ask Alan to lead us through the results, both the quarter and the full year, before he hands it over to Frederic in Basel to discuss the results of our luxury brand business. I will then return to discuss the mining and rough diamond business before we invite your questions. Over to you, Alan.

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Thank you, Bob, and good morning. As Bob mentioned in his opening remarks, the Company's consolidated results for the fourth quarter reflected a few key drivers -- the continuing impact of the recovery in the global economy; the emergence of the Chinese luxury goods consumer, both onshore and offshore; and fundamental improvements to our business.

Consolidated sales for the quarter increased 61% in the comparable quarter last year and the Company recorded earnings from operations of $20.4 million compared to a loss from operations of $3.1 million. Our foreign currency exposure has a material influence on our reported earnings.

During the fourth quarter ended January 31, 2011, the Canadian dollar strengthened against the US dollar. This resulted in a net $3 million foreign exchange loss in the quarter compared to a net $2 million foreign exchange loss in the same period last year.

Taking into account this foreign exchange loss our interest expense, other income and tax expense, we reported net earnings attributable to shareholders of $9.9 million or $0.12 per share compared to a net loss attributable to shareholders of $3.4 million or $0.04 per share in the fourth quarter last year.

During the course of fiscal 2011 our businesses strengthened as we progressed through the year. We generated earnings from operations of $64.5 million compared to a loss from operations of $22 million in the prior year for a total improvement of $86.5 million year-over-year. The improved performance of the Company during fiscal 2011 has resulted in a stronger liquidity position at the year end as consolidated cash balances increased to $109 million from $62 million at the end of the last year.

A combination of corporate cash, operating cash generation and available credit capacity under existing committed lines of credit will be sufficient to support the execution of the organic growth strategy of our luxury brand business.

Now let me spend a few minutes on the financial review of our business segments. As highlighted in our results for released yesterday, rough diamond sales for the quarter increased considerably from the same period last year, resulting primarily from a significant increase in our achieved diamond price. During the quarter, the Company achieved an increase in average price per carat of 23% which was in line with the market.

This increase in achieved diamond price drove improvement in earnings from operations to $15.2 million, up from $1.6 million in the same period last year. For the fiscal year, the mining segment revenue increased 49% and earnings from operations improved by $56.4 million.

The luxury brand segment performed well in the fourth quarter and fiscal 2011. Revenue in the fourth quarter increased 89% to $132.7 million from $70.2 million in the comparable quarter of the prior year. Gross margin in the quarter was 40% compared to 44.1% in the fourth quarter last year. The product mix sold in the quarter comprised a significant number of high-value transactions that carry lower than average gross margins.

The high-value transactions are an important part of Harry Winston's business as they confirm the strength of the brand, reinforce relationships with long-standing clients and complement the underlying economics of the business by leveraging the operating cost base. The growth in sales both in the fourth quarter and the fiscal year resulted in turning losses from operations into positive earnings from operations.

In line with the improvement in the global economy and the financial results of the business, management has continued to increase the amount of advertising, marketing and promotional investment in the Harry Winston brand. These re-investments in the brand, as well as higher variable expenses resulting from higher sales, were the main components of the increase in SG&A expenses in the quarter.

While accounting principles require the Company to take these SG&A investments as period costs, management believes that they will benefit the luxury brand segment for years to come. I would now like to turn the call over to Frederic to discuss the luxury brand business in more detail.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Thank you, Alan. I want to first start by saying that our thoughts and prayers are with the people of Japan during these difficult and trying times. While we will certainly be affected to some degree, we remain grateful that our employees are safe and our salons were unharmed by these events. I am personally very proud of our teams in Japan as they were very courageous and kept our stores open during these difficult times.

Fiscal 2011 was a year of revival of the Harry Winston brand. I am really proud of our results and what has been accomplished by our team. They have true passion and energy for what they do and it shows in our results.

Now concerning the luxury brand results fourth quarter and full year -- as Alan mentioned, the luxury brand segment had a strong fourth quarter and full year. Sales in all regions were up significantly over the prior-year period. Overall, the luxury goods market experienced a strong holiday season. The global economy continued to recover from the recession with consumer confidence increasing.

Economic growth continues to accelerate in China with Western brands performing well. Luxury brands have experienced strong sales growth worldwide as consumers are attracted to recognizable luxury brands like Harry Winston. In the United States, increased tourism and strong rebound in the equities market contributed to increasing consumer demand for luxury goods.

Sustained, high energy prices have supported rising demand from Middle East and Russian consumers. Europe has also experienced strong growth in luxury sales as a result of growing tourism, especially from Chinese clientele.

I would like to give you some information about the regional trends in our business last year. During the full year, sales in the United States were plus 53% above the prior year. This was partly driven by the Court of Jewels event held in November which was a major driver of US sales.

Sales in Japan were up 24% over the prior year with a sustained trend for bridal. Sales in Asia, excluding Japan, were 169% above the prior year. Economic growth continues to be very strong in China translating into increasing consumer demand for luxury goods. In Europe, sales were 31% higher than the prior year driven by improved store traffic as we exited the recession.

Harry Winston Inc., the luxury brand business, has experienced a rebound in profitability during the fourth quarter with earnings from operations of $5.2 million versus a loss from operations of $4.7 million in the fourth quarter of last year. Operating profit was up to $14.3 million for the full year versus a loss of $15.7 million last year. This is a $30 million improvement in operating earnings year over year.

We have a very clear vision for the luxury brand. We know where we are going and we stand behind the five-year vision and strategy that we presented to the world last month of June. We are well on track to deliver.

Over the next five years we expect the top-line to grow faster than the luxury market while consistently improving our operating profit margin. We believe that translates into cumulative annual growth rate revenues in the mid-teens over the next five years, improving our gross margins to the low 50s and driving operating profit margin to the low to mid teens over the same period.

We expect to grow our top-line through continued investments in retail expansion and refurbishment, integrated marketing campaigns and new product development including designs of new timepieces and jewelry collections. All of these are intended to build the brand image while maintaining the highest level of customer service, expert craftsmanship, quality and gem rarity that Harry Winston is known for.

To grow margins we expect to leverage a higher sales base and maintain control of our costs while being very strategic about the investments we are making in building this business. We're also focused on developing the more predictable path of the business. This means focusing on timepieces, bridal, and jewelry collections while maintaining our commitment to the high-end.

Let me speak about some of our brand building investments. We celebrated the 50th anniversary of the donation by Harry Winston of the Hope Diamond, the rarest gem on earth, to the Smithsonian Museum last November in conjunction with our hosting of the Court of Jewels event.

As many of you are aware, we invited the very top clients from each country and the leading press from around the world to this event. We believe this was the most important exhibition of gems and jewelry of any jewelry jeweler in the history.

We presented jewels valued in excess of $1.5 billion, not including the Hope Diamond, in our New York salon for the event. The success of this event is one example of many things we are doing to redevelop the Harry Winston brand name and help it achieve its full potential.

The Company launched a new advertising campaign with celebrated photographer, Patrick Demarchelier, and Danish supermodel, Freja Beha Erichsen featuring celebrations of meaningful moments. In mid-December we opened a new concept salon in Las Vegas at City Center designed by award-winning architect Bill Sofield. We are using this same concept as part of the design for our new flagship salon in Shanghai which we expect will open later this year along with a second salon in Shanghai.

Our focus during the next 12 months includes opening three new directly operated salons including the two mentioned before in Shanghai, China. And in addition, we will be adding partner salons and will be expanding our retail and wholesale timepieces distribution. We have committed to increase our investment in advertising and we launched new jewelry and timepieces collections this year.

After the success of our New York collection we will be launching our latest exciting collection, Lily Cluster, in May. Prices for Lily Cluster creations will range between $5,000 and $50,000 per piece which represents a premium price point compared to our closest competitors.

Harry Winston has proven its creativity and innovation in high watchmaking over the last two decades and we are revealing new concepts at Baselworld this year. I am currently at the Fair now and I can tell you that this is the most impressive showing that Harry Winston has ever had in watches. We have hundreds of journalists covering the story here in Basel and the reaction to the new designs is very positive.

Our goal is to expand from approximately 3,500 timepieces sold annually to 15,000 timepieces. We do have the capacity, the technology and the design to get us there over the next five years. Our new Midnight by Harry Winston designs has more accessible starting price points at the $14,000 mark compared with our current timepiece offer which averages $50,000 per item. This allows our clients to buy everyday watches in addition to the collector pieces and ladies dress watches that we have done so well with.

We have also just launched our new Opus XI timepieces which has taken 14,000 hours to develop and we are showcasing a ladies jeweled watch called Rendezvous with 90 carats of diamonds, all D, E, F color valued at $1.8 million at Baselworld. These are examples of extreme levels of technology and craftsmanship that Harry Winston has created in fine watchmaking. We will continue to offer our collectors limited edition high timepieces that made our name in the industry.

Going forward we expect increased demand for luxury jewelry and timepieces to continue supported by the strong wealth trends we've seen in various markets around the world. We are optimistic that the strength of the Harry Winston brand together with our goal with our global distribution network of salons in prime locations and quality product offering has positioned the Company to grow sales and profitability over the coming years.

While there will be variations in our quarterly results, depending upon product mix and investment, we continue to expect a positive overall trend and to remain on track with our goals. Now let me turn it back over to Bob.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Thanks very much, Frederic. While the diamond business is obviously one where rough diamond demand is pulled by consumer off-take, the remarkable turnaround in demand described by Frederic, and experienced to a lesser degree by the rest of the marketplace, has reflected immediately into rough diamond demand and therefore pricing.

The early part of the year was really characterized by improved demand clearing out the polished diamond stocks which had accumulated during the sharp and deep recession of the previous year. This led to an abrupt recovery in rough diamond prices, always the more volatile segment of the market, as it became clear to the polishers that they needed to replace dwindling stocks.

The latter part of the year then has seen demand accelerate as a recovery in the traditional markets of America and the Middle East was layered onto the new demand from the rest of Asia and India. Rough diamond pricing is now comfortably ahead of its pre-recession highs and polished diamond prices are making significant gains as competition for supply replaces the polisher's need to sell.

Although Japan's role in the diamond jewelry market has declined since the growth of Chinese demand, it remains an important market where the impact of the recent earthquake and tsunami is yet to be measured in economic terms as the country struggles with the measurement in human terms. However, we're confident that rough diamond prices will continue to rise and we've already seen a strong start this year.

The Diavik Mine is now operating at capacity as we build underground mining capacity to replace open pit production. The reduced levels of carat production last year were mainly due to the lower than planned tonnage of high-grade A-154 South ore that was held back in anticipation of a lower mining cost method. The current open pit, A-418, is expected to be finished in mid calendar year 2012 and we expect to start the construction of the A-21 [dike] in calendar year 2013 which will enable new open pit production to begin in 2015.

Underground capacity is already building while cheaper and higher velocity underground mining techniques are to be implemented later this year. We anticipate that the combination of the new methods will reduce cost versus the prior plan. The increased velocity of underground mining combined with A-21 production is expected to maintain the processing rate at or above the 2 million tonnes per year. We expect to bring greater clarity to these changes in a revised life of mine model later this year.

Production from Diavik in earlier years had being from the A-154 South kimberlite with only minor additions from the small open pit accessible portion on A-154 North. This meant that the market price of the diamonds produced could be viewed as based on a constant mix. As we now move to a variety of ore sources, the different not only in the grade, or carats per tonne, but also differences in the price per carat of those diamonds becomes important.

In A-418, which currently -- the A-418 pipe which currently produces the majority of the ore contains diamonds with the lowest price per carat. We anticipate that once open pit mining of A-418 is complete and the mix is more balanced, our price per carat will rise by 25% to 30% or so based on current market prices. In addition, we feel that the rough market prices will continue to increase and, given our expectations for ore mix, we expect our average price per carat this year to be better than last year.

A drilling program has just begun from the floor of the A-418 open pit to delineate deep extensions of this kimberlite pipe with a view to extending the resource base. The joint venture is also conducting an extensive basal till sampling program using over burdened drilling techniques in an effort to discover additional kimberlite pipes that might constitute new ore sources.

Harry Winston has additionally staked about 226,000 hectares of mineral claims on the prospective geological trends of the southwest of the existing mine and we're making plans for the exploration of this land over the coming years.

In May we welcome a new Chief Financial Officer, Cyrille Baudet, who joins us with a background that includes a career at Richemont as well as auditing work for resource companies before this. Cyrille replaces Alan Mayne who continues to provide us with his skill and dedicated stewardship to affect the transition.

To conclude then, our business has recovered strongly both for the year and for the quarter. Despite the uncertainties and challenges facing Japan, and even the Middle East, we see a robust diamond market ahead and both our mining and luxury brand businesses are well-equipped to rise to this opportunity.

Our mining business is now implementing more efficient mining methods while our rough diamond sorting and sales led by Jim Pounds and his team promptly capture price increases in a rising market. Our luxury brand business under the stewardship of Frederic now has the management team that it properly deserves. Thanks for listening to us. We're now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Irene Nattel, RBC Capital Markets.

Irene Nattel - *RBC Capital Markets - Analyst*

Thanks and good morning, everyone. Looking at the outlook for the retail segment, clearly FY '11 was a spectacular turnaround year. Just trying to understand what proportion of those -- of the revenue numbers are really sustainable to the extent that day were special orders that may or may not be repeated?

I guess what I'm really getting at is should we realistically be expecting F '12 revenues to be higher than F '11 by that sort of mid-teens magnitude? Because certainly based on the inventory build, that may be a reasonable assumption?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, (technical difficulty) the short answer is yes and Frederic is going to give you the long answer.

Irene Nattel - *RBC Capital Markets - Analyst*

Thank you.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes, yes, we are confident we have a good pipe of very important sales currently. In fact, the very important sales over $3 million have tripled this year and we continue getting some demand for this and doing special orders. So we are confident we will keep on having important sales.

But more importantly, we are extremely excited and confident that finally the watch will really grow to a nice level, an important level this year, by the presentation of entire new collections we're presenting here that are somewhat more accessible on one side and also even much more expensive than before on the other side where we see demand for both segments.

The (inaudible) haute uber high end and the more accessible watches, new diamond watches by Harry Winston at $16,000 will be presented -- is presented at Basel right before the starting price for such a diamond watch was at $40,000. And so that's very exciting to see the new volumes in development. Of course you know that watch activity has much more profit than the rest of the activity, so that's very exciting.

Irene Nattel - *RBC Capital Markets - Analyst*

Yes, absolutely. And if there's any way that you could e-mail us some photos of those pieces, that will be very helpful. Just, Frederic, turning to the cost side of the equation, I think it's very reasonable to expect that you are going to ramp up the investment in marketing and promotion, but what kind of magnitude are we talking about? Should we be expecting SG&A to increase at the pace of the top line, higher, lower?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

No -- very, very reasonably this year we've grown the whole entire (inaudible) by 20% while growing the top-line by 53%. We will continue and the growth of marketing we have accelerated already this fiscal year, fiscal 2011. We have accelerated the spending in marketing dollars. We will continue to increase the spending marketing dollars but at a very reasonable pace and at a lower rate that we have accelerated this year.

Irene Nattel - *RBC Capital Markets - Analyst*

that's great. And then just two more questions on retail, please, if you don't mind. Could you give us a little bit more color in terms of what we should expect this year in terms of both partnered salons and also in terms of doors for the watch business? That's the first one. And then the second question -- well, I'll wait until I get that answer. Sorry.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes, for a watch, for retail, we are currently -- we are building our subsidiary in Shanghai. We have moved our direction of management team there and this is where we expect our [sales] to open two salons in Shanghai within the next 12 months -- hopefully within this year, fiscal year, otherwise it will be within the next 12 months -- and another third salon to be open in China within the same period of time.

In parallel, we are working to develop partner salons and within 12 months you could expect to have the brand opening at least three salons of which one in Middle East and maybe two in Middle East. So we're working with three internally run salons and three partner salons in the short-term.

In terms of watch distribution, we have currently 185 doors and we will open an additional probably 35 to 45 new doors this year, bringing the number to 225 watch doors around the world at the end of fiscal year 2012.

Irene Nattel - *RBC Capital Markets - Analyst*

That's great. And then finally I guess, just more of a request than a question, which is it would be very helpful for us if somehow on a go-forward basis we could get some more clarity on the proportion of sales that come from significant items versus the proportion of sales that come from, let's call it, the rest of the business?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes.

Irene Nattel - *RBC Capital Markets - Analyst*

Thank you.

Operator

Edward Sterck, BMO.

Edward Sterck - *BMO - Analyst*

Good morning, gentlemen. So I've got a couple of questions here. Perhaps just starting on the retail segment since that's where we were with Irene. On department salons, could you give us some kind of -- could you quantify how that would work for Harry Winston? Is it a royalty type model? And if so, what sort of royalty would you anticipate charging? And what would the incremental increase to the top-line be on an annual basis per partner salon?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

It's yours, Frederic.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes, partner salons, are not based on royalties, it's more like wholesale activity where we will wholesale watches, of course with conditions equivalent to the one we give to our partners, to our retailers currently and, of course, margin to be given to them also on the jewelry side. There is a collaboration for the capital investment.

We gave them a book of guidance so that all the codes of the brands in terms of imagery stating, the color codes, the architectural structure of the stores, the layout at the stores and even the inventory and the model inventory is suggested by the brand. So the brands -- you will not see a difference between an internally run salon or a partner -- salon run by a partner.

In terms of revenue growth, these are salons where we believe there is a risk for the brand to explore because we don't have any subsidiaries there, or these are markets where we don't have --. We are humble enough to recognize we don't have a true understanding of the local clientele, and I'm talking about the Middle East.

I'm talking about Russia, I'm talking about some developments to come for sure in China as well where we want to be with our internally run salons in the main cities of Beijing and Shanghai for sure, but we would love to find and we're working. We are currently meeting in Basel with some potential partners who would like to open salons with Harry Winston in second-tier cities, for example.

Edward Sterck - *BMO - Analyst*

Okay, thank you, and I guess just trying to put some figures on that if you were talking about targeting operating margins in the low to mid teens, on the whole, what sort of operating margins are you looking for in those partner salons?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Well, I think these are things we haven't -- we don't disclose yet as we are building this model. But overall, the margin of these partner salons is really matching the top-line from the partner salons is going through the bottom-line of us in terms of -- these are additional activities with no cost of operating the salon, strong costs on our side and therefore we expect all these -- these are salons run with a lower margin for us as well because we are talking about jewelry where the margin is smaller than for the watch activity.

But it is an activity of which profit drops directly to the bottom-line. So seeing for us two benefits to have additional profits for the brand with a low cost for us on our side and increasing awareness of the brand -- accelerate the awareness of the brand in many countries where we are not present especially China, Middle East and Russia for now.

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Frederic, perhaps I just augment that. I think just to reiterate what Frederic said in his comments, partner salons are going to be important, but on a relative basis in terms of revenue contribution they are very small compared to the development of the core business driven by bridal collections and also watches.

So it's important to keep the partner salon contribution in context. It will be an important driver. It's an important way to extend our brand into certain markets, but the development of the core jewelry business and watches are going to be far more important drivers of revenue growth, gross margin and then, accordingly, operating profit margin.

Edward Sterck - *BMO - Analyst*

Okay, thank you. And then just turning to the mine, talking about A-21 being -- development starting in 2013 and initial production perhaps in 2015. Would it be possible to give some broad spectrum figures around that in terms of a range of CapEx that might be required? And then also the sort of operating throughputs or the ore generation that we might expect from the operation as well?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Right, so the range of capital cost -- the idea is at least, as it is at the moment, is to use a different type of dike considering it's one that's just recently been successfully employed at an operation by Agnico-Eagle in the Eastern Arctic in an operation called Meadowbank and it's a cheaper way of doing any hydraulic, in other words, a waterproof dike.

The range of capital costs in the $200 million to $250 million range spread over two years. So you can see the CapEx going in in 2013 and 2014. The currency attraction of A-21 -- I mean, it's say about (technical difficulty) carats a tonne of diamonds or about the same quality as [A-124] South, so this is quite valuable rock. It's between $450 and $500 a tonnes at current prices.

And being open pit, it's easily accessible once the dike is built. In other words, there's a lot of flexibility in the amount of tonnage that can be delivered from the early days of an open pit like that. This means that it will be possible to keep basically the processing plant pretty full during the years that we operate the open pit portion of that.

So it's a very useful (technical difficulty), as you can imagine. We now have a kind of mining plan that looks to be -- we finished the A-418 open pit in the middle of the next calendar year already. We haven't transitioned to this low cost and high velocity underground mining technique that (technical difficulty) A-418. And although it's not yet fully signed off, we all expect that will happen in A-154 South as well.

So we're not -- we've got the ability to get a lot more tonnage out of the underground than had originally been, as well as of course the lower costs that go along with it. The increased tonnage velocity is what you were asking about. So that keeps the tonnage up, and as we get deeper into the mine, obviously it's always harder to get tonnage out from deep down, you've got to simply move it further, and particularly at the A-154 North which will continue down as a blast hole stoke probably with cement and rock fill.

But as we get deeper in the mine it gets more difficult to get tonnage out. So by that time A-21 is active and so the difficulty in hauling tonnage from the underground is then supplemented by an open pit again. Obviously there comes a point when A-21 shows a different [strength] than the other price. It's a little more like a kind of a -- a piece of stemware in the sense that it's got a conical portion at the top which tends to (technical difficulty) down and point significantly at the bottom.

So rather than operating open hit at the bottom there are alternatives being looked at for how we get those bits out of the -- the smaller bit out of the bottom of the pipe, which includes options like floating a barge in the bottom of the pit, (technical difficulty) water in the bottom of the pit once the open pit portion has been finished and (technical difficulty) a hydraulic technique.

Or alternatively perhaps accessing the root zone of it by coming at it from underground using perhaps even a heading driven off the current underground workings, although they're about (technical difficulty) away, but there's plenty of time to do a 4 kilometer underground heading if that is decided to be the best way to do it.

So that sort of gives you a flavor for how velocity is going to be maintained. The (technical difficulty) center here (technical difficulty) center in the top, we're going to have listened to a sort of mining -- an (technical difficulty) release schedule and some real color around costs later this year (technical difficulty) gets onto paper. That's it. (inaudible)?

Edward Sterck - *BMO - Analyst*

Absolutely, just one other question on A-21 then. The current resources are around 2.3 million carats. Is there any upside to that from A-21?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

No, the reserve plus resources in A-21 off the top of my head -- Ray -- I think Ray Simpson is on the call as well. Ray could probably inform you, but it's about 11 million carats (technical difficulty).

Edward Sterck - *BMO - Analyst*

Sorry, I read the wrong one.

Ray Simpson - *Harry Winston Diamond Corporation - EVP*

Yes, it's about that, Bob. We've got 10 million in measured, 1 in indicated and 2.3 in inferred.

Edward Sterck - *BMO - Analyst*

Thanks.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Okay? And by the way, (technical difficulty) on that subject I guess, the other thing that has promise here of course is if you look at one of our slides that shows the profile of these pipes, you'll see that A-418 is very much truncated at depth. You can tell even where the pipe has a very strong diameter, the reserves and resources are cut off because there was no (technical difficulty) information to do anything else there.

That's where this drill program is going to start up just next week actually where we build a stockpile of ore on the surface for processing while a large diameter drill program takes place from the floor of the A-418 vent. This is designed to bring in additional reserves and resources at depth in that pipe. But eyeballing it, there's a potential there for 2 million to 3 million tonnes of additional material that can extend the mine life.

Operator

Des Kilalea, Royal Bank Canada.

Des Kilalea - *Royal Bank Canada - Analyst*

Good morning. Yes, must be nice to surprise everybody so pleasantly this morning with those numbers, some of those numbers that came out today.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Thank you.

Des Kilalea - *Royal Bank Canada - Analyst*

Just going on from Ed's question, given everything you've said about potential extensions at depth, A-21 and so on, what would be your best guess life of mine for Diavik now? And I've got a couple other questions to follow.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

I think we understand really pretty much the extent of the extensions on all of the pipes now except for A-418, so we could do more drilling at the base A-21, but it's so small at the bottom of where we already know it that that really wouldn't be a particularly economically rewarding effort. The one that does offer this extra potential is the bottom of A-418.

But the other factor that comes in this then is, yes, that gives us additional reserves/resources, but we're also able to increase the velocity of underground mining because of the new (technical difficulty) retreat mining techniques that are to be implemented. So you've got velocity and therefore carat production going up higher than was anticipated in the original plan.

But I'd also of course imply (technical difficulty) through the reserves and resources faster. So I think probably for the moment the thing might be to sort of say well, it almost balances one another out in terms of mine life. Maybe we get 2023, 2024 as opposed to 2022, but we're certainly going to deliver carats faster than was anticipated.

Des Kilalea - *Royal Bank Canada - Analyst*

Right. And Bob, if I look at what you said, you said the Company has basically kind of got some new exploration ground and I guess the Company means Harry Winston, right?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

The Company means Harry Winston definitely. The logic is that the (technical difficulty) ever since 1991 when we all (technical difficulty) in the beginning of the staking rush that we had basically staked all of the [slade] geological province and beyond. The fervor of exploration activity was such that there was no open land available, exploration deals and (technical difficulty) farming deals that were very difficult to do. And expectations for (technical difficulty).

But over the years most of the expectations, the realization by the market that (technical difficulty) exploration is more difficult than exploration for other commodities -- that's why diamonds are expensive in fact -- sunk in, as well the fact that there was a big collapse in all markets of all sorts including junior equity marketing a year or two ago. So land became open in what one can broadly view as the geological trend. It gave us the ability to actually go on (technical difficulty) as opposed to having to option or buy them from other people, so we've done that.

Not only is this piece of land on trend, but it's a piece of land where the first pass of exploration techniques which are very much focused on using geophysics has not worked very well. The reason it hasn't worked very well is whereas the background in the areas of where the productive pipes at (technical difficulty) and at Diavik, the background geology is (technical difficulty) granite which has got a very, very noise free, a big quiet geophysical background.

This area of the Southwest is actually underlined by some (technical difficulty) sentiments and, without getting to geological here, simply means that the background for background magnetics and the background for even electromagnetic (technical difficulty) techniques is quite noisy. The kimberlite pipes are small and they're quite subtle as geophysical features and it's my view that they're probably not really discernible in that background.

The other core technique that was used was sampling basal till; this is material that was pushed from the [tops] of these pipes and spread out in a down wise direction as the glacial events (technical difficulty) about 18,000 years ago and allowed the sampling of that kind of glacial material for indicator minerals to be a tool that was used to actually find the productive pipes. And in fact all of the productive pipes in both Ekati and Diavik were (technical difficulty) by using indicator mineral techniques because the geophysical anomalies were so subtle.

In the ground that we stake, not only is the geophysical background noisy, but also the basal till, the stuff that you need to sample for that technique, is actually covered by lake bottom sediments that were also deposited as the ice retreated. So we need to get through those lake bottom sediments if you wish to have a meaningful basal till sample. So it's not been done and that is what we are going to embark on now.

Des Kilalea - *Royal Bank Canada - Analyst*

So that's totally different to what Rio is doing? That's going to be Harry Winston itself?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, that's right. 100% Harry Winston. The real (multiple speakers) joint venture [property].

Des Kilalea - *Royal Bank Canada - Analyst*

Okay, and so what sort of spending would you anticipate? And then maybe just to kind of follow that with looking at -- I think you were at $62 million capital for this year. Maybe you could just kind of go into the kind of capital profile and the exploration profile.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

For this year, it will be very minimal. What we do this year is actually go in and we have to produce a glacial map -- a Pleistocene geology map of the area so we know which direction the ice has moved in on a local (inaudible). We do that work this summer as well as doing a quick archaeological survey to make sure there are no archaeological sites that would be disturbed.

The drilling itself, the overburdened sampling will be gone with a very mobile drill and that's planned to take place next year. We'll take the drill up the winter road and we'll operate the program probably March through May of next year. The costs are not even worth worrying about. Next year on the order of perhaps $1 million, no more.

Des Kilalea - *Royal Bank Canada - Analyst*

Okay. And then just the capital, I think you said $62 million this year is your share of the Diavik CapEx?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

I'll ask Alan to confirm that. Is that correct, Alan?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

That's correct.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Thank you.

Des Kilalea - *Royal Bank Canada - Analyst*

And then sort of -- how does it look after that? I mean, just a little bit of modeling point after the (multiple speakers), Alan, would we be looking at?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

We're basically going to sustain in capital beyond that, which is -- on a 100% basis is about $40 million a year. However, of course, there will then be the CapEx spend on A-21 scheduled over the two years. And frankly there may be some things to do underground. (inaudible) these are things that would only be done because we would demonstrate a return by doing them.

In other words, it improves -- things that might be done that could improve the economics of the underground mining and give a return on the capital that would need to be invested to achieve the improvements. So nothing that's bad; it's nothing that needs doing in order to fix something to make the current plan operate.

Des Kilalea - *Royal Bank Canada - Analyst*

And just one last perhaps cheeky question. You've had a sale I think since your year-end. Is there anything you can give us on price trends?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, I guess I don't view that as cheeky at all, it's the core question really. Price is up yet again. So -- by how much? But the first sale up about 4%, probably got a bit more coming. We're just starting a sale again next week, so --. But the first sale up 4% approximately --

Des Kilalea - *Royal Bank Canada - Analyst*

Thanks very much.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

-- across the board. And as you may know, Des, like diamonds are never across the board, some things go up in price while others remain stable. But certainly a demand for the core products. The things that make the 1 carat diamond for the engagement ring, they've been strong. Diamonds that (technical difficulty) very small diamonds that go into watches, they've also been particularly strong, even since the beginning of the year.

Des Kilalea - *Royal Bank Canada - Analyst*

Thank you very much.

Operator

David Christie, Scotia Capital.

David Christie - *Scotia Capital - Analyst*

Good morning, everyone. Just a couple quick questions, most of them were asked already. Just to make sure I understand the retail side of things here, we've got three basic -- or four basic outlets I guess. Can you tell me what the difference in revenue spread was? I don't know if you'll give this to me, but for the past quarter between the doors, the partnerships and the salons? Just a rough percentage.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Either Frederic or Alan, whichever.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Alan?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes, I think Frederic can give you some color, but I don't think, Dave, we're going to give you explicit breakdowns quantitatively about the contribution. But clearly obviously salons would be the most significant contributor followed by watches and then partner salons.

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes, the beauty of it is really as -- yes. Less than a third of the business has been done with the watch through the wholesale doors and this is where we feel there is a huge upside for the future. It's been small and it's really -- it's very much the jewelry which has driven the growth -- accelerated growth this year, and while we were preparing for the redeployment of Harry Winston watches which we're presenting now at Basel.

David Christie - *Scotia Capital - Analyst*

Okay, so less than a third at the doors and the partnership I assume is quite small. So the salons are still the majority of the where the sales are happening?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

Yes.

David Christie - *Scotia Capital - Analyst*

Okay. And just on actual jewelry pricing and polished pricing, have we been seeing increases on the polished side as well or have they been fairly flat?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

No, no, as well as unfortunately the pricing of polished has increased quite importantly the last few months and last year, and we have had to increase our prices as well to the end client.

David Christie - *Scotia Capital - Analyst*

Okay, so you're just keeping pace with the pricing basically?

Frederic de Narp - *Harry Winston Diamond Corporation - CEO & President, Harry Winston Inc.*

We have to.

David Christie - *Scotia Capital - Analyst*

Yes, okay. And so you talked about the exploration there a bit, Bob, on this new piece of property. You guys haven't done exploration in a long time. What drove you to make the decision to start drilling some holes?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, you're quite right, Dave. Well, the reason that we had to stop initially was because when we had to do our first debt facility in order to support the capital cost of the (technical difficulty), one of the covenants in the debt facility -- partly imposed by the bank that you work for actually -- was that we would not make expenditures on exploration nor for pretty much anything else during the repayment period.

So for a start, that debt facility has been replaced so that we have one now that doesn't have that kind of covenant in it so we're allowed to do exploration, is the first thing. And the other thing, as I alluded to earlier, was that the competition for [ground] simply has declined greatly. During the economic crisis people were not able to perform the work that was needed to keep claims in good standing.

Usually claims that have been held for a very long time anyway, so that the claims expired and there was a lot of ground that became available. The other thing is that I firmly believe that the message, the lesson in the early years of discovery which I was part of is that the economic pipes were actually identified as indicator mineral anomalies.

They were -- the actual position of the pipes so that one could still get a drill hole in it was then finally determined by doing very detailed [brand] geophysics to (inaudible) a very subtle target as a drill target. So they're not the kind of things that could be planned by doing coarser geophysical techniques such as airborne or even ground geophysics that was done in a sort of coarse line spacing way.

So I guess I feel that in order to find new pipes you need to sample basal till, so that these areas that we've staked which are not only on trend but they do have the basal till actually concealed, they weren't able to be sampled by just putting a shovel in the ground. You've actually got to drill a short hole to get down sort of five or 10 meters to get to the basal till there. These are to a large extent unexplored and therefore they deserve that kind of attention. That's the logic.

David Christie - *Scotia Capital - Analyst*

I assume some work was done on these though during the days?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

There was, they were all flown with airborne geophysics and airborne geophysical anomalies were filled at the grand geophysics and they were drilled, in many cases found to be kimberlite, but not the economic wins, so that's the status.

David Christie - *Scotia Capital - Analyst*

The new mine plan that's going to come out, is it going to be like the last one? I think the last one that Rio put out was like a five-year plan? Is this one going to be to the end of mine life?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Well yes, we're going to do this ourselves. Obviously we'll get it done using Rio's -- obviously Rio is the operator, so we're obviously going to consult with Rio. But we feel that people like yourselves have had to put up with less information than you might expect to get from a mining operation. We understand that in Rio's world this is not -- the Diavik Mine is not a very big thing compared to the scale of their other businesses like iron ore and so on. So they don't need to be updating these things all the time, but it's a big thing in our world, so we do.

So we're going to do an update that shows an ore release schedule, certainly projected to life of mine as well as cost and so on, (technical difficulty) the kind of information you'd expect. We've kind of started on this with this -- it's formally released, for the first time we've actually disclosed current market prices applied to diamonds from each of the pipes so that people like you can get a better understanding of what the value (technical difficulty).

David Christie - *Scotia Capital - Analyst*

No, very appreciative of that. The 4% increase you saw in prices in the last sale, was that included in the prices you modeled up in your report?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes.

David Christie - *Scotia Capital - Analyst*

Okay. Thank you very much.

Operator

(Operator Instructions). Brian MacArthur, UBS.

Brian MacArthur - *UBS - Analyst*

Good morning. I just want to clarify -- we've talked a lot about getting higher velocity out of the mine going forward. Are we now talking going back to the 2.4 million tonnes a year long term, or are we still talking 2 to 2.1? Or what actually are we talking about now?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Have we lost Bob? Hello?

Operator

Mr. Gannicott has disconnected.

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

He has disconnected? Bob -- is that Brian? Are you there, can you still hear us?

Brian MacArthur - *UBS - Analyst*

I can hear you, Alan. Can you hear me?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes, we'll be looking at about 2.3 million tonnes a year.

Brian MacArthur - *UBS - Analyst*

So that's sort of -- because we talked about that in the past, then we went back down to 2. So would that also be assuming you'd get A-21 in there? It would, right?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes.

Brian MacArthur - *UBS - Analyst*

And will the life of mine plan, are you going to model it out? Will that include A-21 or will it be without A-21?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

No, we will model it including A-21.

Brian MacArthur - *UBS - Analyst*

Okay, so we're going to get a full mine plan with all four pipes out to whatever the time horizon is with that higher production level. So it will kind of be as Bob said -- pretty well everything you know with the exception about depth of A-418.

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes, that's correct.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Well, sorry about that folks, I'd say it's Yellow Knife and I'm afraid everything -- things do go off up here once in awhile, so I'm back. Sorry, David; did I get to the end of that? I guess probably Alan picked it up when I disappeared, did he?

Alan Mayne - *Harry Winston Diamond Corporation - CFO*

Yes, Brian was just asking in terms of the modeling, Bob, on the life of mine plan, where we would be on tonnage. Are we modeling it with A-21 included? Yes, we are, and it will go out to the life of mine with ore release, tonnage, revenue cost capital.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, sure. It's going to take us some time here though to resolve all that of course.

Brian MacArthur - *UBS - Analyst*

Yes, but that will be very, very helpful. That's great that you're doing that.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes, no, I realize that -- I'm sorry, Brian. I guess when I left it was Dave Christie still on, so my apologies.

Brian MacArthur - *UBS - Analyst*

Great, no problem at all and all of my questions have been answered. Thank you both very much. I appreciate it.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

So can I just -- do you mind if I just clarify, Dave, if you're still on the line, did I get to the end of what you wanted to know?

Operator

David Christie, Scotia Capital.

David Christie - *Scotia Capital - Analyst*

Yes, Bob, you did. I think I was fine there. Just what's the timing on the study, the plan?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

I'm not certain yet how long it will take to put it all together, but we've sort of said well, the next -- probably the next two to three months.

David Christie - *Scotia Capital - Analyst*

Okay, so sometime before mid-summer kind of thing probably?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Certainly hope so. I can't -- I don't hold my feet to the fire too hard. We're doing our best to get all this together, but that seems to me like a very reasonable estimate.

David Christie - *Scotia Capital - Analyst*

Okay, so you're going to have like a new mining method and everything in this new plan?

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Yes.

David Christie - *Scotia Capital - Analyst*

Okay, that's great. Thank you.

Operator

With no further questions I would now like to turn the conference over to Mr. Robert Gannicott for closing remarks.

Robert Gannicott - *Harry Winston Diamond Corporation - Chairman, CEO & Director*

Okay, well, got back just in time for the closing remarks. So look, the final -- the only final thing I'd like to add on is that we're very pleased to have engaged a new Director of Investor Relations in Laura Kiernan. Laura is going to head the IR efforts, she's based in New York, while Kelley Stamm, who many of you are used to dealing with anyway, remains in Toronto. So I encourage you all to call Laura or Kelley with any follow-up questions that you may think about.

I'm in Yellow Knife until the end of this week dealing with the Diavik people, and then I'm off to the Basel Fair where Frederic has been talking to us from there today where obviously everything is going well. So thanks very much for being on the call. Thank you for your questions and onwards and upwards. Thank you.

Operator

Thank you for joining today's conference. That concludes the presentation. You may now disconnect and have a great day.
