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DDC.TO - Q3 2014 Dominion Diamond Corporation Earnings Conference Call

EVENT DATE/TIME: DECEMBER 11, 2013 / 1:30PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen. And welcome to the Dominion Diamond Corporation's fiscal 2014 third quarter earnings results conference call. My name is Mark, and I will be your operator for today's call. 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. I'd now like to turn the call over to Richard Chetwode, Vice President, Corporate Development and Head of Investor Relations. Please go ahead.

Richard Chetwode - *Dominion Diamond Corp - VP Corporate Development and Head of IR*

Thank you, operator. Good morning everyone, and welcome to our fiscal 2014 third quarter results conference call. On the call today is Bob Gannicott, Chairman and CEO; Wendy Kei, Chief Financial Officer; Chantal Lavoie, President and Chief Operating Officer of the Ekati Mine; Jim Pounds, President Diamond Sales; and Brendan Bell, President Dominion Diamond Holdings Limited, all of whom will be available to answer questions after the presentation.

Before we begin, I would like to point out that this conference call will include forward-looking information. Various material factors and assumptions were used in arriving at this information, and actual results could differ materially. Additional information about these factors and assumptions, and the risks that could cause actual results to differ materially from our current expectations, are detailed in our most recently filed Annual Information Form and MD&A, which are publicly available.

Our most recent results also include a reconciliation of certain non-IFRS financial measures to the most directly comparable IFRS measures. With that, I'll hand the call over to Bob Gannicott.

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

Thanks, Richard, and good morning everyone. Welcome to the call. As is commonly the case, we are actually located in different positions for this call. Chantal is up at the Mine site -- the Ekati Mine site. Brendan and Wendy are in Yellowknife. Richard, Jim Pounds and myself are in Antwerp, where our five weekly diamond sale is in progress this week.

We continue to progress our plans for business improvement at Ekati, as well as the permitting of the Jay, Cardinal and Lynx kimberlite pipes, which define the long-term future of Ekati. At the same time, Diavik continues to deliver consistent results from its operation, which is now settled into its future as an underground mine. On EBITDA basis, Ekati has delivered a cash operating margin of $24 million, and our 40% share of Diavik, $24.2 million. Sound margins to support the continued development of our new and existing projects.

I'm going to first turn the call over to our Chief Financial Officer, Wendy Kei, to discuss the financial results in more detail. Wendy will then be followed by Chantal Lavoie, our Chief Operating Officer, to discuss the operations of both Ekati and Diavik. Jim Pounds will then come on to discuss the diamond market and our sales. Brendan Bell will then discuss the permitting initiatives, and I'm then going to return to the call to close our presentation and invite your questions. So over to you, Wendy.

Wendy Kei - *Dominion Diamond Corp - CFO*

Thank you, Bob, and good morning everyone. The Company had a strong balance sheet at October 31, with cash and cash equivalents of $195.8 million, restricted cash of $121.9 million, and rough diamond inventory with an estimated value of approximately $250 million. Our third quarter sales were $151.6 million, which generated consolidated operating profits of $10.7 million.

Our third quarter sales were impacted by short-term weakness in the rough diamond prices, primarily from the macroeconomic issues in India and a tightening of credible availability into the cutting centers, neither of which are specific only to the diamond industry, and which Jim will talk about in more detail. As a result, the Company decided to hold rough diamond inventory for both the Diavik and the Ekati segments, which resulted in consolidated net loss attributable to shareholders of $2.9 million, or negative $0.03 per share, for the third quarter, compared to consolidated net profit attributable to shareholders of $3.4 million, or $0.04 per share, in the prior year.

Included in inventory at the end of the period was approximately $95 million of rough diamond inventory available for sale. Consolidated sales of $151.6 million were almost double that of the $84.8 million from the third quarter of the prior year, as a result of including Ekati in the current year and the hold-back of inventory in the comparable quarter of the prior year due to the then-market conditions. Consolidated operating profit also increased 91% from the comparable quarter the prior year.

Please note that for the Ekati segment, we saw small impact to gross margin, as we sold the remaining opening acquisition inventory in the third quarter. The Company reported consolidated financing expenses of $5.7 million, compared to $2.3 million in the third quarter of the prior year. Included in consolidated financing [sense] is accretion expense of $5.3 million related to future site restoration liabilities at the Diavik and the Ekati mines.

During the third quarter, the Company spent $7.1 million in exploration. $6 million on the Jay Pipe within the Buffer Zone at the Ekati Diamond Mine, and $1.1 million on the Company's Lac de Gras property with North Arrow Minerals, Inc and Springbok Holdings, Inc. As Bob mentioned, the exploration of the Jay Pipe is necessary for its future development. The Company expects to spend a total of $11 million for the Jay Pipe exploration during this fiscal year. We will also continue to expense the investment in Jay as exploration expense until we have a pre-feasibility study for the project.

Turning to our Diavik production. During the third quarter, we sold 0.4 million carats of rough diamonds with a market value of $52.9 million, and a cost of goods sold of $40 million, resulting in gross margins of 24.4%. At the end of the third quarter, we have 0.8 million of inventory of Diavik production available for sale in the fourth quarter at an estimate -- at approximate value of $74 million, with an estimated market value of $110 million.

Now turning to Ekati. During the third quarter, we sold 0.4 million carats with the market value of $98.7 million, and a cost of goods sold of $93.6 million, resulting in gross margins of 5.2%. Included in sales for the third quarter were approximately $5 million of opening acquisition inventory. The remainder of this opening acquisition inventory will not be sold in the near term, as the goods are made up of exploration and sorting samples.

At the end of the third quarter, we also had 0.6 million of inventory of Ekati production available for sale in the fourth quarter, at an approximate cost of $158 million, with an estimated market value of $141 million. SG&A for the corporate segment decreased $0.4 million to $5.9 million, compared to the third quarter of the prior year. In terms of inventory, on October 31, the Company had a combined 1.5 million carats of Diavik and Ekati rough diamond inventory, with an estimated value of approximately $250 million.

Given the decision by the Company to hold back inventory during the quarter, the Company now expects consolidated sales for fiscal 2014 to be between approximately $705 million to $820 million, with $320 million to $365 million coming from the 40% share of Diavik, and $385 million to $455 million coming from Ekati on a 100% basis. The high end of the forecast range assumes the sale of all inventory that would be available for sale during the fiscal year.

During the third quarter, Dominion Diamond Corporation completed the purchase price allocation for the Ekati transaction and recorded goodwill of approximately $10 million. Further details of our purchase price allocation can be found in note 4 of our financial statements. Now let me return the presentation over to Chantal.

Chantal Lavoie - *Dominion Diamond Corp - President & COO of the Ekati Mine*

Thanks, Wendy. Good morning, ladies and gentlemen. As Bob mentioned, I'm calling in from the Ekati Mine site. So I'll provide you with a quick operational update on both Ekati and Diavik. So during the course of the quarter, both Ekati and Diavik delivered very excellent operational performance, achieving in most areas better than expected operational results, continued to focus on costs while maintaining a pretty strong focus on health, safety, environment.

At Ekati, carat production on a 100% base was ahead of plan for the quarter, with 368,000 carats recovered, compared to 319,000 carats planned. And that from the processing of 850,000 tonnes of ore. Higher than expected recovered grade, as a result of both better than estimated in situ grade, and also changes to the operating practices at the plants, were the main contributors for the higher carats.

Additionally, 250,000 carats were recovered from processing 220,000 tonnes of coarse ore rejects and diamond bearing kimberlite coming from Misery South and Southwest, associated with the pushback activity at Misery. In both cases, the results confirm the potential associated with these two other sources of material, and plans are being developed to incorporate these sources of diamond bearing kimberlite for the coming years.

On the cost side, again Ekati had a strong performance, with operational results coming in at 9% below budget for the quarter. Critical review and tight management of key cost drivers, including labor and maintenance contract, have been the main contributors to this performance.

On the CapEx side, as we mentioned in our press release, the forecast increase is driven by additional capital development of Koala North, higher cost of the IT infrastructure as we transition from the BHP Billiton to the Dominion Diamond system, and also the use of contractor of equipment at the Misery pushback. So far, we maintain our existing published production targets for the year.

On the Diavik side, the quarter has continued strong performance, with carat production of 1.7 million recovered versus 1.5 million carats planned. Grade was essentially unplanned, with higher than expected tonnage being the main contributor for the additional carats. We expect Diavik to produce approximately 7.1 million carats. Cost saving efforts continued at Diavik, with total cash costs for the third quarter better than planned by essentially 10%.

So overall, the Company expects revised mine plans for both Diavik and Ekati before the end of the fiscal year. I'll now pass the call to Jim to discuss the diamond market in more detail.

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

Thank you, Chantal. As you know, we sell rough diamonds 10 times a year. And during the third quarter, we hold two sales, in Antwerp and Mumbai, the first at the end of August and the second in September, October. They are three sales during the fourth quarter.

We already completed the November sale, and we're in the middle of the December sale here in Antwerp as we speak. The final sale in the period will happen in the middle of January. The shipments of rough diamonds that arrived in October are available for sale in the current sale, and the shipment we received in November is available for sale in the January sale.

We finished selling the Ekati production under the BHP legacy system, and we are transitioning the Ekati sales process in order to align this with our historic way of selling. The challenge with the former system is the seller is a price taker. We have merged the productions into our established sales assortments, but as yet have not physically mixed them. And during the transition, we are widening our client base and learning more about the market perception of the amalgamated goods by holding tenders.

It is still our long-term intention to start supplying goods to some of our clients on a long-term contractual arrangement based on guaranteeing a minimum supply in terms of carats and pricing the goods according to the market prices. We would also tend some of our production at regular intervals to establish market levels, for the comfort of all stakeholders.

Now, turning to the diamond market. Overall, rough prices, which rose in the first few month of the year, have been weakened in the second half, as have polished prices. From the end of July, rough prices have weakened by approximately 4%, with Diavik prices being slightly better than that, and Ekati, using the legacy auction system, slightly weaker.

Given that rough price has strengthened in the first half of the year, for the year to date, prices are approximately just over 1% up for Diavik goods and down approximately 6% for Ekati goods. I say approximately because we haven't completed this week's sales. From a polished diamond demand point of view, the United States is still by far the largest consumer of diamonds, and represents approximately 38% of global consumption of polished diamonds.

And anecdotal evidence and comments from jewelry retailers are of good sales in the US, as we are now into the important holiday season. China is the world's second largest consumer of diamonds, and 2012 was impacted by the slowdown in consumption of polished diamonds, both as a result of the slowdown in the gift giving and the impact of overstocking of polished diamonds at retail level that happened at the end of 2011. 2013 has seen the growth in diamond consumption return to a more normalized long-term level.

Chow Tai Fook and Luk Fook, two of Hong Kong and China's largest jewelry retailers, have recently reported good figures for the six months to the end of September for sales of gems set, which is predominantly diamond jewelry, anecdotal reports suggest this is continuing through the fourth quarter. Diamond jewelry demand remains positive in Japan as well, and polished diamond imports in the first seven months of this year have risen in yen terms by about 12%.

While the fundamentals of supply and demand look excellent, there is an aberration in the middle of the pipeline, which has impacted rough and polished pricing, caused mainly by the economic problems in India and the tightening of credit available into the diamond cutting centers. Indian retail accounts for approximately 10% of the polished diamond consumption of the world, and the economic challenge, as reflected through the fall in the rupee, have impacted negatively on the diamond consumption in India, a country that in 2011 grew in terms of retail consumption of diamonds by over 30%.

But the challenge to diamond pricing is not the lower Indian retail consumption so much as the lower available credit to the cutting industry, of which India is by far the largest center, with approximately 700,000 cutters and polishers who are based in India. So that means that 96 out of every 100 stones are polished in that country. The diamond business is a dollar business, but the majority of the loans in India are based on a rupee number. So when the rupee falls by 20%, the available credit dries up by 20%.

Additionally, the diamond sector is suffering from a tightening of rupee credit across most sectors. The ban of the use of credit to fund gold imports has likewise tightened credit to the jewelry industry as a whole. The weakness in polished prices has been primarily in the very high quality diamonds. China and India are not buying so many high quality diamonds.

India because of the economy, and China because in a very short space of time, it has moved from using only top color and top quality diamonds to a primarily SI or more commercial market, which is also the American bridal range. So as the market is growing and becoming more democratized, there's also been a move by the price conscious consumer there to say, if it's a white diamond and it's got no visible imperfections, why am I paying more for simply a better certificate?

So the largest consumer of very high quality small diamonds is, of course, the watch industry, and you'll be aware of the stock rundown in that industry. Where there appears to have been in overstocking is with these very high -- with very high quality diamonds, where diamanteres have built up inventory expecting that this would be one area where prices were guaranteed to rise.

But in what we call commercial goods in quality terms, i.e. VS-2 to I-3, which includes the classic Chinese and US bridal, that market is very strong. But the lack of liquidity to the cutting and polishing industry as a whole has meant that many of the polishers of these goods are price takers. The outlook. The lack of credit has hit pricing, but not demand. The main consumption periods of the major markets are now, and retailers already have that stock.

But the positive remains that there's a shortage of rough in an industry currently unwilling to take on any excess stock due to the liquidity constraints. So we await the restocking after the main retail sales period with a great interest. I will now pass the call over to Brendan.

Brendan Bell - *Dominion Diamond Corp - President of Dominion Diamond Holdings Limited*

Thanks, Jim. As Bob mentioned, I'll provide a brief update on both the Lynx Pipe and also the larger Jay Cardinal project. In September, we submitted the Lynx project description to the Wek' eezhii land and water board, and we're pleased to report that on November 18, the Board issued a preliminary screening decision report, which determined that Lynx can proceed directly with the regulatory process. Since then, the Board has also issued a work plan for that process.

Public hearings now scheduled for February 6 and 7, 2014, and the work plan extends into the spring, with a projected date for water license approval for June 2014. At the same time, we're also pursuing the Fisheries authorizations required under the Federal Fisheries Act. We anticipate having all permits in hand well before the planned development of the project in 2015.

As planned, we also submitted the Jay Cardinal project description to the Wek' eezhii land and water board in October. I've indicated previously our belief that the Jay Cardinal project should be referred directly for environmental assessment. The Wek' eezhii land and water board agreed, and on November 22, the project was referred to the McKenzie Valley environmental impact review board for an environmental assessment.

The McKenzie valley board will now prepare a work plan for the environmental assessment process and proceed directly to the project scoping stage. We're anticipating that stage to be initiated in January 2014. And in the meantime, we're continuing with community engagement, project engineering, which Bob will discuss in more detail, further analysis of baseline environmental data, and technical studies required for the environmental assessment.

I should also indicate we have received an exploration land use permit, which enables us to conduct the planned winter 2014 drilling program in the Jay Cardinal project area. In all respects, we are very pleased with the progress being made on permitting. Regulators have been very responsive, and have provided work plans which anticipate decisions being made in a timely manner.

Our objective, then, in the coming months, is to continue to proactively engage with communities, governments and other stakeholders to ensure we're able to respond to questions quickly and mitigate any potential concerns which might arise. It is our belief that this is the most effective way to ensure a timely and effective regulatory review. Thank you, and I'll now pass the call back to Bob.

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

Thanks, Brendan. So we now move our Jay Pipe initiative into higher gear, with a work program to define a formal reserve and resource of both Jay and Cardinal, as well as pre-feasibility study to support the capital investment. This involves an extensive drill program this coming spring, directed at both resource definition and engineering information.

There will be five different types of drilling involved. On the engineering side, there will be sonic drill holes along the footprint of the dike alignments. This technique uses high frequency vibration to penetrate glacial overburden and recover samples of the glacial material on which the dikes will rest. The objective is to define any zones of gravel, et cetera, that could transmit water below the dikes.

In addition, some diamond core drilling will be performed along the dike footprints to define fracture patterns, et cetera, that are in the bedrock. There will also be core holes drilled into the wall rock of the planned open pit to define pit wall stability. For reserve and resource definition, diamond drill holes will be used to physically define pipe boundaries, as well as for use in a down hole seismic technique, capable of mapping the outer surface of the kimberlite pipes.

We've also recently elected to bring a high voltage power line from the main power plant at the Ekati camp down to the Misery camp area, to enable crushing operations for supply of the crushed and screened rock components that are needed for road and dike construction. Both of these work initiatives are required to keep our objective of delivering ore from Jay and Cardinal to the process plant by late 2019.

That really concludes our formal presentation, and we're now ready to take on your questions. Richard, have we got the operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Des Kilalea. Please proceed.

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

Hi, Des. Hello, Des? No Des.

Des Kilalea - *HSBC - Analyst*

Hello. Yes, sorry, I was on mute. I beg your pardon. Just a few questions. The first is for Jim. Jim, could you talk through what normal working inventory you would need, either at cost or market related value, to give us an idea how quickly you will be able to move the inventory you've got when market conditions improve?

And then I guess this is a question for Wendy. Wendy, what should we be modeling for ongoing Jay exploration? Expense costs until such time as you get a pre-feas? You're doing $11 million this year. What should we look at next year?

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

I'll kick off there. If we look at our inventory, we normally have two cycles, as we call it, the five week cycles, of which we have 10 a year. So we have -- within the first range of the cycle, we have $50 million, say, of Ekati and $35 million of Diavik, which is under assortment being prepared for the sale. At the same time, we have the same amount, which is already prepared for sale and is being shown to clients and is going through the sales process.

So that's two cycles of $85 million each. And also within the buildup of the inventory, we are accumulating goods at our selling and valuation office in Yellowknife. So we can add another, say, $25 million of that. So making it around two cycles delivering $195 million, plus $10 million that we keep on stock for samples, as Wendy mentioned. So any rundown of inventory, any change in the market, it wouldn't take us long to move that through the system at all.

Des Kilalea - *HSBC - Analyst*

Okay. Thanks, Jim.

Wendy Kei - *Dominion Diamond Corp - CFO*

Hi, Des, it's Wendy. In terms of the Jay Pipe expenses for next year, we're looking to have a pre-feasibility done probably towards the latter half of fiscal 2015. And before then, we're looking at costs about $25 million that will be exploration-related for Jay.

Des Kilalea - *HSBC - Analyst*

Wendy, that will be this year and next year, or is that $25 million just next year?

Wendy Kei - *Dominion Diamond Corp - CFO*

That's next year.

Des Kilalea - *HSBC - Analyst*

Next year. Thank you. Thank you very much.

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

Could I also point out that that doesn't include the capital that's put into the power line? Because of course, the cost that Wendy has just described are expensed, whereas the power line is actually goes under the capital account. So I got that correct, Wendy?

Wendy Kei - *Dominion Diamond Corp - CFO*

Yes, that's correct.

Des Kilalea - *HSBC - Analyst*

And could you tell us roughly what that would be?

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

We have a number in the book of $30 million at the moment, but we don't yet have quotations for -- we've gone out for quotations on this, and we've not yet got the offers back in yet.

Des Kilalea - *HSBC - Analyst*

Thank you very much.

Operator

Your next question comes from the line of Oliver Chen. Please proceed.

Oliver Chen - *Citigroup - Analyst*

Hello, guys, happy holidays. Thanks. Regarding your plans and your capital structure, and potentially return of funds by repurchases or dividends, could you just update us on your strategy there? Taking into account the net working capital and capital structure considerations? Secondly, if you could just update us on your thoughts for how the pricing dynamics may change in the next 12 months for the diamond market? And what kind of variables you're looking at as you decide to hold back versus sell diamonds going forward?

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

Okay. I'll take care of the first one, though I think we did discuss this on a previous call. Although we are shown as having a large amount of cash on the books, which of course we do, there are cash obligations to the reclamation bonds that are required for both of these projects. Our share of the reclamation bond at Diavik is on the order of $75 million for our 40% share.

We have not borne that in the past. In the past, we have basically paid Rio Tinto for the use of their balance sheet. They provided the provision, and we paid a fee for the use of their balance sheet in that regard. That will change now. During the coming year, at least, we expect it to change so that we'll be funding that individually.

On the Ekati side, we have $127 million against the reclamation bond that we were required to put up by the government at the time that we made the purchase from BHP. The -- we were aware that the reclamation bond was under revision, and under revision to be increased to, we expect, about $265 million. And we do have an ongoing discussion with the government about how we will provide the provision for that. But clearly, it's another source of cash that's required.

And as well as that, of course, we've got the ongoing expenditures for the Jay project, which will certainly increase quite substantially when we get beyond next year, where we start to do the actual development of the mining of the Lynx Pipe. And then followed by road preparation and so on, dike building and so on, for the Jay project. So we certainly do not contemplate either share buybacks or any form of dividend in the near future, Oliver.

Although -- and I don't think -- we have not had a discussion -- we've not taken a position with the Board. We've not discussed with the Board what, in the future, what we want to do, whether -- should it be dividend, should it be buyback, et cetera. Because frankly, it's not something that's on the near term horizon. So having said that, Jim, the other part of the question was about the market.

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

Yes, I think, Oliver, you were looking for how we view the next 12 months of the diamond market. Certainly, the indications we're getting from the market, from people coming to look at goods and talking to us now, that we have probably hit the bottom of the market at the moment, which is quite normal at this time of the year. Because coming out of the Diwali season, people are looking to restock their polished supplies and their factories as the workers return from their various vacations.

Going ahead, we will see, as I mentioned in my discussion, that the restocking of the market then moves into full force in January into February. And with the positive news we're getting out of the retail areas, we think that this will be -- add further to some of the momentum we're feeling now. If you look at the retail sector, China is looking better. America is looking really quite good for this -- I don't want to count the chickens, but looking good for this season. And even Europe and India, with a more stable rupee, is becoming a better place to sell diamond jewelry.

And of course, we are now into the wedding season, which is probably even a bigger retail event than actual Diwali is in terms of diamonds. And of course, the stabilization of the rupee, and I think the acceptance of a new paradigm in terms of liquidity to the market, bodes pretty well for a better market going into 2014, which we would expect to really move up from this period. I hope that answers the question.

Oliver Chen - *Citigroup - Analyst*

Thanks, Bob and Jim. So do you think mid single digit is a fair way to view the prospects in terms of the percentage increase?

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

I would say that is probably the upper end, but you know something, we normally look at 2% growth above in real terms, so yes, it's probably right.

Oliver Chen - *Citigroup - Analyst*

Okay. Thanks for the update. Appreciate it. Good luck.

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

Thank you.

Operator

Your next question comes from the line of Edward Sterck. Please proceed.

Edward Sterck - *BMO Capital Markets - Analyst*

Good morning, gentlemen and Wendy. A couple of questions. Just on the updated mine plan that Chantal alluded to, is that going to be delivered before calendar year end or before fiscal year end? And will it include --

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

(multiple speakers) Fiscal year end. Yes, we would expect to get Rio Tinto's sign off. They always have a -- in the past, at least, they've always had a Board meeting in the latter part of December, mid -- usually closer to the middle of December, and that will be the sign off for the Diavik plan.

And we are finishing our Ekati budget as we speak. So by the time we get back from the Christmas break, such as it is, we'll then pull all this together. And certainly we plan to have it out before the end of our fiscal year.

Edward Sterck - *BMO Capital Markets - Analyst*

Okay. Thank you. And will it include guidance in as much as can be given on the Misery satellite pipes?

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

We'll certainly give as much as can be given. There's no doubt about that. I think you're probably aware, we are not trying to withhold information on this at all. It's a question of respecting the securities laws. But as much as we can give, we will give. And we will do our very best to make sure that it does at least give people the ability to properly analyze the asset.

Edward Sterck - *BMO Capital Markets - Analyst*

That's fair enough. And then just on the impact of liquidity -- or rather the liquidity tightness and the impact that's having on inventory management. When is that expected to be worked through the system, when we go to sort of more normal long run inventory situation?

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

I'm going to let Jim talk in detail about that, but we're in a sale right now. Since the end of the last quarter, Jim has sold down substantially the inventory.

Edward Sterck - *BMO Capital Markets - Analyst*

Sorry, I meant in the cutting and polishing centers, in the sort of inventory management.

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

I see, yes. Yes, as far as their inventory management is going, I feel that this -- that people seem to be concerned by this attitude of the banks. And I think it's a very positive thing for the market, and it's made people bring some of their own money back into the business. And also, things are at a much more balanced level.

So the liquidity crunch, I would say, is very much over, and the banks have laid out exactly what they want from their customers. I think customers can now plan well into the next year. So I would say that the new levels of liquidity that we're dealing with now are certainly very much in balance, and that the sell-down of the polished stocks and the replenishment in terms of rough is happening. And it is happening at a decent rate.

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

Could I just add -- Jim is the expert on this, not me. But one of the things that struck me is that when I first joined the diamond journey, back in 1994, it was when automated computer-guided laser cleaving had really just got a grip. And it made a huge difference to the productivity of actually handling diamonds.

And I remember one of our big customers at the time, he's still one of our big customers, telling me that in his estimation, that it actually meant that there was 10% more value that came out of the world's diamonds, just because of the increased technology that was applied. And just recently, there's been another step-up, which is a machine developed in Israel called the Galaxy machine. And this is a machine that's capable of not only mapping the exterior of a stone, but also the interior.

And using very sophisticated set of algorithms, actually map out how the stone should be divided and polished in order to give the best yield in terms of dollar yield from the polished diamonds. And this machine has become in very common use now, and I'm quite sure that that is -- it basically means that we're taking -- the world is taking a significantly higher value out of the same number of diamonds than it was pre the Galaxy. Would that be correct, Jim?

Jim Pounds - *Dominion Diamond Corp - President of Diamond Sales*

Yes, absolutely, yes. And this impetus has allowed people, really, to not only plan getting -- as I said, we're a little bit overstocked in the world with better quality diamonds -- would allow them to plan diamonds that fit into their polished marketing as well. So it makes life a lot easier. So all in all, as I said, the liquidity problem is being handled, and it will deliver the growth that we expect next year. And 2% is the model that we use. It's not a forecast, 2% real growth, but personally, I would expect a bit higher than that.

Edward Sterck - *BMO Capital Markets - Analyst*

Excellent. Thank you very much.

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

Thank you.

Operator

(Operator Instructions)

Your next question comes from the line of Tanya Jakusconek.

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

Welcome, Tanya.

Tanya Jakusconek - *Scotiabank - Analyst*

Hi, Bob, thanks a lot. I actually wanted to ask a question starting with Chantal. Just on Diavik, because it looked like the he production was moved from 7.3 million carats to 7.1 million carats for this calendar year. Maybe Chantal, can you just tell us how the mine plan changed a little bit for this year?

Chantal Lavoie - *Dominion Diamond Corp - President & COO of the Ekati Mine*

Tanya, the main difference is about the ratio of the production coming from the three pipes versus the amount of diamonds that will be treated from the reprocessing of the rejects. And that's essentially the difference in the variation. And obviously these things, as we go through the rest of this year, there's always adjustment being made from month to month. But that's the main called small variation.

Tanya Jakusconek - *Scotiabank - Analyst*

And will that variation be made up next year?

Chantal Lavoie - *Dominion Diamond Corp - President & COO of the Ekati Mine*

Yes. I don't see -- actually, again, we'll see, like Bob said, that once we get the final plans approved from Diavik through Rio, we'll see the exact numbers. But based on what I've seen so far, I'm confident that it would be make up.

Tanya Jakusconek - *Scotiabank - Analyst*

Next year. Okay. Maybe for Wendy, just if you can let us -- give us an idea, of the 0.3 million carats sold post-quarter end of inventory of $60 million, can you just let us know which mine or combination it came from?

Wendy Kei - *Dominion Diamond Corp - CFO*

Yes, it's usually about 50/50 from both, because Jim's selling them together.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. And then just Wendy, can you provide us a sensitivity for either net income, cash flow or so, for the Canadian dollar? So a $0.01 move or a 10% move, what sort of impact that would have on your financials?

Wendy Kei - *Dominion Diamond Corp - CFO*

Can I get back to you on that, Tanya? We'll have to put that through.

Tanya Jakusconek - *Scotiabank - Analyst*

Yes, it's just because most the -- with the exception of a few things that you've given Canadian dollar, the CapEx, a lot of it is already US dollar based.

Wendy Kei - *Dominion Diamond Corp - CFO*

Yes, I'll get back to you on that one.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. And then just coming back to the new life of mine plans. Maybe Bob, can you just review with us what we are going to expect detail-wise from the two press releases? Or I guess one press release coming out sometime in January. How much detail can we look forward to?

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

I think you're familiar with what Diavik had presented us with before, Tanya, over the history of the projects. And we expect it to be in the same kind of format. So it will be production, a life of mine production plan, planned proportion of production from each of the pipes over the mine life, the usual things, cost and so on.

Tanya Jakusconek - *Scotiabank - Analyst*

What about -- sorry, was it A-19?

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

A-21.

Tanya Jakusconek - *Scotiabank - Analyst*

A-21.

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

A-21 remains in there as a resource. And being a resource, it will be there as a, if you like, in a dotted, shaded category as potential ore feed in the latter part of the mine life.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay.

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

But I'm sure it will not imply a commitment to do A-21 at this stage. But it also will not be a definite answer that it won't be done either.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay.

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

Either as a resource, and it can be added on. On the Ekati side, as you know, this mine plan will not include the Jay Cardinal project. Because we cannot include that as a reserve or resource until we've got the completed pre-feasibility study, which is dependent on the drill program that we're doing in the spring. But it will be a mine plan that looks at the current reserves and resources, and does its very best to be as inclusive as it can be with respect to the processing of Misery satellite ore and reprocessed reject material from the Ekati stock piles.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. We'll look forward to that, yes. Thank you.

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

Yes. Us, too.

Operator

Your next question comes from the line of Ned Davis. Please proceed, sir.

Ned Davis - *Wm Smith & Co. - Analyst*

Yes. Good morning, good afternoon. Have your partners -- your minority partners in the Ekati exploration and development phase, the 40 -- I think 48% partners. Have they given a full commitment that they will fund their share of the CapEx, both developmental and mine development, going forward? Have you gotten complete clarity on that? Or do you expect to have to buy them out or carry them in connection with these projects?

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

They have an agreement with us, which requires us to put programs before them, and then to either fund or else be diluted. So they don't have to make any formal election to participate, other than each time that there's a program presented. And so far, they have elected to participate with their interest.

Ned Davis - *Wm Smith & Co. - Analyst*

And with respect to the reclamation bonding and the increases, have they fully committed to that? And will they bear their full share of that, both Ekati with the minority partner, I guess 20% partner? And then at Diavik, I take it that Rio will bear their full share of the reclamation burden as well?

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

Certainly Rio. Rio are bearing actually 100% of the share at the moment. But yes, they are -- and at Ekati, they are required to fund their full share. And in fact, in practice, what we're doing is, we are funding the full share and they provide security to us in the form of both cash and diamonds that we hold on their behalf.

Ned Davis - *Wm Smith & Co. - Analyst*

So just following up on that. So when we look at the reclamation funding that you spoke about in your presentation, is there any way that you can mitigate the actual cash that you have to tie up with regard to these increased reclamation liabilities?

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

There may be. We were having some discussions with the government about that, but we don't have an answer on it yet.

Ned Davis - *Wm Smith & Co. - Analyst*

Okay. Thank you.

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

Thank you.

Operator

Your next question comes from the line of Des Kilalea.

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

Hello, Des.

Des Kilalea - *HSBC - Analyst*

Hi again. Just wanted to follow up on Chantal's point about the CapEx going up, and he gave us the three reasons. What can we expect for next year? Are there some other issues that perhaps we might be need to model higher CapEx for calendar 2014 or fiscal 2015?

Chantal Lavoie - *Dominion Diamond Corp - President & COO of the Ekati Mine*

Probably, I would say right now, as Bob said, we're in the process of finalizing our budget for next year, and actually for life of mine. I think that what we pointed out in the recent press release is more costs that were unexpected, when we talk about the IT. There was also a decision to go deeper at Koala North, which is obviously positive, but is something that was done through the latter part of the summer. And then the Misery, the cost associated with Misery is related to catch back up on the delay that was created earlier this summer.

As we look forward, based on what I've seen of the previous budget, I don't expect major differences or surprises. I think most of the stuff is behind us. So I would, again, expect to be somewhat in line. But again, mine plans are dynamic. We're trying to optimize it. But all in all, I would say that it will probably be in line with what has been produced before.

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

Could I just add one other line on that, Chantal? Which is, but obviously, as soon as we have finished a pre-feasibility study for Jay, we will then be capitalizing the expenditures go forward from there. So that if we -- I don't expect us to finish that feasibility study until well into the third quarter. But whatever the date is we finish it, and we have accepted the feasibility study, then we'll capitalize expenditures rather than expensing them thereafter. So that will be a bit of a wild card on the CapEx line going forward to the end of the next fiscal year.

Des Kilalea - *HSBC - Analyst*

Thanks, Bob.

Operator

Your next question comes from the line of Edward Sterck. Please proceed.

Edward Sterck - *BMO Capital Markets - Analyst*

Thank you very much. Just two follow-up questions. The first is just on the question of minority funding for Jay and Cardinal. Just to be specific here, in effect, will the minority partners be funding their proportional share of the CapEx of the power line? And then also the exploration costs that are ongoing at present?

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

Yes is the short answer to that.

Edward Sterck - *BMO Capital Markets - Analyst*

Okay.

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

They've already told us that they will.

Edward Sterck - *BMO Capital Markets - Analyst*

And then following on -- just on -- Brendan, I know you mentioned this before. I just wanted to be sure that I heard it correctly. Can you just reiterate what the expected timing is for the environmental review, in terms of when it is likely to be completed for the Jay and Cardinal project?

Brendan Bell - *Dominion Diamond Corp - President of Dominion Diamond Holdings Limited*

Sure. Thanks, Edward. I think I mentioned this before. We expect and anticipate a two year environmental assessment, if you will. You can think about that, if we plan on January this year through 2014, through 2015. End of 2015, we think we're through the environmental assessment. And then it likely takes us another year to get the water license and other associated permits in hand. So really a three year permitting horizon. Two of that will be environmental assessment, we expect.

Edward Sterck - *BMO Capital Markets - Analyst*

Great. Thank you very much.

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

Okay. Time for one or two more, perhaps, and then we should close it.

Operator

There are no further questions in queue at this time.

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

Excellent. I want to thank you all very much for joining us today. You're all aware that you can, of course, follow up any time you like with anything you think of, through either Richard or Kelley, and we'll certainly do our best to get answers back to you smartly. Thanks very much. We appreciate your attention on these calls. Thank you.

Operator

Ladies and gentlemen, thank you very much. This concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.
