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PRESENTATION

Operator

Good day, ladies and gentlemen, welcome to the Dominion Diamond Corporation FY15 third-quarter earnings results conference call. My name is Greta, and I'll be your operator for today's call. At this time, all participants are in 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 like 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 Corporation - VP of Corporate Development and Head of IR*

Thank you, operator. Good morning, everyone, and welcome to our FY15 third-quarter results conference call. On the call today is Dan Jarvis, Acting Chairman of the Board; Brendan Bell, Acting CEO; Ron Cameron, Chief Financial Officer; Chantal Lavoie, Chief Operating Officer; Jim Pounds, Executive Vice President, Diamonds; and Elliot Holland, Vice President, Jay Project and Business Development. All of whom will be available to answer questions after the presentation.

Before we begin, I'd like to point out that this conference call would include forward-looking information. Various material factors and assumptions we 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 Dan Jarvis.

Dan Jarvis - *Dominion Diamond Corporation - Acting Chairman of the Board*

Thanks, Richard, and good morning, ladies and gentlemen. And welcome to the earnings call for the third quarter, our financial year 2015. As many of you are aware, I've recently stepped into the role of Acting Chairman, while Bob Gannicott, the Company's Chairman and CEO, is taking medical leave. We wish Bob all the very best for a speedy recovery and look forward to having him back with us in a few month's time in February.

In the interim, we have a strong and experienced Board and management team, and everyone is working hard to build on the positive momentum that the Company is showing. The management team is being very well led by our Acting CEO, Brendan Bell, and I will turn things over to Brendan in a moment. But before I do, I want to speak briefly about our announcement regarding dividends.

We are very pleased to be in a position to announce that we will initiate a dividend following the release of our year-end results in April. As many of you know, we have been working hard on a number of initiatives and we now have greater visibility on our financial outlook. Accordingly, this decision to initiate a dividend reflects our confidence that we can both fund our expansion plans for the business, as well as sustain regular distributions to our shareholders.

And on that positive note, I'm going to turn things over to Brendan.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thank you, Dan. I'd like to take this opportunity to introduce the team, some of whom you know well. We have with us today Ron Cameron, who is our Chief Financial Officer. Ron, as I think you know, joined us in September and this is Ron's first DDC earnings call. He brings over 30 years of experience across a number of different industries.

Chantal Lavoie, our Chief Operating Officer, runs the mining operations at Ekati and liaises on mining operations with our joint-venture operator at the Diavik Diamond Mine. Chantal brings more than 25 years' experience in open pit and underground mining to our business, and was, amongst other roles, COO for DeBeers in Canada.

Jim Pounds then has 30 years in the diamond industry and is in charge of all facets of our business from when diamonds leave the recovery plant through to the sorting, security, and sales in our offices in Yellowknife, Toronto, Antwerp and Mumbai.

And finally, we recently filled the one remaining outstanding position in senior management when we appointed Elliot Holland as Vice President responsible for the Jay Project. Prior to joining Dominion, Elliot was a partner at McKinsey & Company, serving mining clients, including diamond mines, on operations, strategy and capital projects. Elliot brings with him a wealth of experience, and he will be instrumental as the Company continues to advance the Jay project.

We're very pleased to report that in this quarter both the Diavik and Ekati mines have again performed well. The Company had earnings of $0.30 per share on the back of improved production margins. We've also strengthened our balance sheet with the posting of surety bonds with the government of the Northwest Territories in the aggregate amount of approximately CAD253 million to secure the reclamation obligation at Ekati.

During the quarter, we also announced the completion of the acquisition of the FipCo interest in the core and Buffer Zones at Ekati, all of which Ron will speak to in a moment. At our operations, we continued to deliver ahead of plan at both Ekati and Diavik. Chantal will give you some insight into both, including updating you on the continuing improvements to the process plant at Ekati, which is currently resulting in the recovery of approximately 15% more diamonds than planned.

At the beginning of November, we filed the important developer's assessment report, or DAR, for the Jay pipe, which we believe will lead to a recommendation to the minister at the end of 2015 about the Jay project. Elliot is going to give you an update on where we are at Jay, as well as some of the efforts we are making in a continued search for efficiency and cost savings at Ekati.

Rough diamond prices have moderated in Q3, but are still up to the end of the quarter. Despite Q3 being a traditionally seasonally weak time, we did have strong sales and Jim will talk to that and all-important diamond pricing.

Finally, you will have seen that Rio Tinto have announced the go-ahead for the A21 project at Diavik, and I'm going to come back to this and some thoughts about our central strategy for the future and to close the call. And then, we'll handle your questions. Over to Ron.

Ron Cameron - *Dominion Diamond Corporation - CFO*

Thank you, Brendan, and good morning, everyone. We are obviously very pleased with the third-quarter results. These positive results were driven by the operating performances at both the Ekati Diamond Mine and the Diavik Diamond Mine. Both mines continue to focus on cost control and benefited from production improvements that have increased carat production, leading to increased operating margins, EBITDA, and ultimately, driving improved free cash flow generation.

Sales increased from $148 million in Q3 of 2014 to $222 million in this quarter, primarily due to the fact that some inventory was held back from sales in the prior year's quarter. EBITDA for this quarter was $115 million, compared to $37 million for the same period last year, with the EBITDA margin rising to 52% from 25% in the prior year.

Cost of sales in the prior year reflected the purchase of inventory at market values as part of the Ekati Diamond Mine acquisition. The improved margin is also from higher production, which lowers the cost per carat.

Consolidated net income attributable to shareholders was $25.5 million, or $0.30 per share. For the nine months ended October 31, 2014, consolidated net income attributable to shareholders totaled $66.7 million, or $0.78 per share.

We have a very strong balance sheet ahead of the development of some exciting projects. On October 31, we held $289 million of cash and cash equivalents, $112 million of restricted cash, and diamond inventories with a market value of approximately $350 million.

Having gone through the highlights, please allow me to add some insight to our Q3 numbers and also try to give you some color on the number of points that might help moving forward. From a balance sheet perspective, after the end of the quarter, we posted a surety bond of CAD253 million to secure our obligation under the Water License to reclaim the Ekati Mine site. In the next few months, we are expecting to post our share of the environmental bond at Diavik, which currently comes to approximately $62 million, and it's likely that we'll do this by way of irrevocable letter of credit.

From a cash-flow perspective, the Ekati segment generated $20 million of free cash in the third quarter, and the Diavik segment generated $35 million, leading to consolidated free cash flow generation net of the corporate segment of $49 million. Free cash flow here being defined as revenue less cash cost of production, capital expenditures, cash SG&A expenses, exploration expenses, and cash taxes.

We've expensed $23 million in the first nine months for the development of the Jay project, of which $7 million was in the third quarter. And we expect to expense a further $3 million in the fourth quarter. Expenditure on Jay will not be capitalized until after a pre-feasibility study has been completed. As Brendan mentioned, in September we purchased an additional 8.89% of the Ekati Core Zone and 6.53% of the Ekati Buffer Zone from the stake held by Chuck Fipke for a total of $70 million.

Let me now turn to a couple of points of interest about the Misery pipe. First, with regard to the Misery satellite pipes, as you know, any diamonds recovered and sold from the Misery South and Southwest ore bodies from September 1 will now flow through the income statement.

Secondly, for your information, at October 31, we still held diamonds which have been recovered from the Misery satellite pipes from before September 1, with a market value of approximately $10 million, which we anticipate selling in the fourth quarter. Hopefully, that has given you an insight into some of our figures from a very exciting third quarter.

Now let me turn the presentation over to Chantal.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Thank you, Ron. Good morning, everyone. First, turning to Diavik. As Brendan mentioned, Rio Tinto has approved the development of the A21 pipe. Our share of the estimated capital requirements will be $140 million.

On the mining front, Q3 saw continued steady production from the three pipes, and with significant improvement from the A418 pipe, which has seen higher dilution early on this year. Through continuous review and optimization, the Diavik team managed to eliminate some development work while maintaining production levels. Their continued efforts to reassess the work and find better ways of doing things is paying off.

Tonnage processed during the quarter was slightly ahead of plan, supported by good availability and utilization of the plant. Year to date, carat production remains in line with the mine plant.

The team is also working diligently on the application for their renewal of the water license. Given their excellent environment performance and the fact that no change to the present license is requested, we do not anticipate any major issues in obtaining this renewal.

At Ekati, things are progressing well. First, let's start with our surface operation. At Misery, the reallocation of equipment to the pushback made at the end of Q2 is paying dividends. Good progress has been made in Q3, and we expect to recover the first diamonds from the very rich Misery main in early calendar 2016, as initially planned.

At the present time, our expected grade of four carats per tonne for Misery main does not include any of the improvements we are seeing in the recoveries in the process plant. In the meantime, the Misery satellite zones will continue to contribute to our production profile.

We have now started prestripping at the Pigeon pipe with ore production expected to start towards the latter part of calendar 2015. Stripping and the processing of coarse ore rejects is significantly ahead of plan, and it is an important source of material because of how well it blends in the processing plant with the clay rich ore from the Misery satellite pipes. To date, the grade from the coarse ore rejects continued to exceed our expectations. Finally, the Fox pipe stockpile will be essentially depleted in January 2015.

Now, turning to our underground operation, production at both Koala underground and Koala North is slightly ahead of schedule. Production from Koala North will continue to April 2015, which is slightly later than initially expected, as our efforts to maximize recovery of broken ore has been fruitful. The mine plan we inherited when we purchased Ekati envisaged Koala underground finishing production in 2019, and that only because the mine plan and vision at Ekati closing then.

There are additional Koala resources potentially available for extraction if the life of Ekati extended beyond 2019. We are presently in the process of assessing the full potential of additional Koala tonnage that can be extracted from the existing levels, as well as evaluating possible deepening of the mine by one or two more levels.

Moving to the processing plant at Ekati, efforts were maintained in various areas to ensure efficient operation. By the end of October, we have completed some important physical changes. The additional dense media separator cyclones are being commissioned and the recrush circuit has been completed.

Q4 will see the commissioning of this equipment. Using the bulk sample plant at Ekati, we will be able to better assess the long-term benefits of these changes to our overall recovery. This information will then be built in to our updated resource and reserve statement.

We have now completed the planning process for the bulk sample campaign at Sable. We are mobilizing a large diameter reverse circulation rig this winter to retrieve an additional bulk sample. A contractor has been selected, and we initiated the work associated with building a winter road to Sable. The drilling is expected to start in February.

As for Lynx, additional equipment is being mobilized in the upcoming winter road. We have some final confirmatory drilling activities for this winter. Plans are being put in place, which will include an access road to Lynx, fish out, and the de-watering of the lake, with stripping expected to start in Q4 of FY16.

Finally, construction of the Misery power line is under way, which will provide lower costs, lower emission power to the Misery camp and pit, as well as Lynx and eventually Jay.

Overall, I'm very pleased with how things are progressing at both Diavik and Ekati. Thank you for listening. With that, I will pass the call over to Elliot.

Elliot Holland - *Dominion Diamond Corporation - VP of Jay Project and Business Development*

Thank you, Chantal. We continue to advance the Jay project, which represents the potential for additional mine life beyond 2019. I was already very familiar with Dominion on the issues surrounding this project before my appointment, and I've been given full authority to take decision and move them forward, with the support of Brendan and the rest of the management team.

First, with respect to Jay, we filed the Developer's Assessment Report, or DAR, with the Mackenzie Valley Environmental Impact Review Board on November 6, on schedule. The review board has received our submission, and on November 28 returned to us an adequacy review asking for certain clarifications and additions to the DAR. We're currently responding to this adequacy request, after which time, we will proceed to receiving and responding to information requests from interested parties and then conducting technical and community hearings.

We continue to expect a recommendation from the responsible minister by the end of 2015, after which time the water license and land use permitting process will take a further six to eight months. This keeps us on track to have permits in hand to begin construction in 2016.

In terms of engineering and economic assessment for the Jay project, we are now focused on the pre-feasibility study, and we know how important it is to our shareholders. It is an important milestone to bring these carats into reserve status on the basis of an approved economic model. In parallel this winter, we are completing a drilling and hydro-geological testing program to refine the design and alignment of the proposed dike.

Another important aspect of extending the mine life profitably will be resetting our base cost structure across the business. In 2012 and 2013, Diavik went through an optimization exercise to reduce external spend, reset the organization model and improve heat and power efficiency, all with the goal of creating a sustainable cost base for a fully underground operation. You can see the impact of that program and the results they continue to achieve.

In 2014, 2015, they're using the same approach to evolve the cost structure at Ekati. We are critically reviewing all our contracts with our external vendors.

We are benchmarking our administrative costs against peer companies and are finding opportunities to reduce them. We are increasing our energy efficiency with new operating approaches through our generators, heat exchangers, underground conveyor and incinerators on site.

And now, I'll pass the call over to Jim.

Jim Pounds - *Dominion Diamond Corporation - EVP of Diamonds*

Thank you, Elliot, and good morning, everyone. Rough diamond prices, which rose 8% in the first seven months of the year, have slipped, but we are still up approximately 4% through the end of Q3. But the reason prices have come back is not in the end a function of the underlying fundamentals of supply and demand. It is rather as a result of the shortage of credits available to the diamond cutters at a time in the year when seasonal demand for polished diamonds is traditionally weak.

Over the past year, the banks have been pulling back credit available to the industry, mainly to ensure diamantaires start using some of their own capital, something they have not often been required to do so before. This is a positive move in the long run, but is painful for the industry in the short term.

But in Antwerp, the main center for diamond financing, this shortage of credit was exacerbated by the announcement in September by the Credit Bank of Belgium, the parent of the Antwerp Diamond Bank, that it was going to close Antwerp Diamond Bank. One remembers that Antwerp Diamond Bank provides about 10% of lending into the industry.

In India, which employs approximately 750,000 people in the cutting and polishing of diamonds, the economic challenges faced by the whole country, rather than diamonds specifically, has also resulted in a tightening of credit available to the industry from the Indian banks.

The fundamentals of the business remain positive. But this lack of credit has all happened at a time when demand for polished diamonds was seasonally weak, primarily because it is ahead of the six-week Diwali holiday in India.

The fourth quarter is also the main period for consumption in the world's biggest market, the US. But retailers already have their diamonds in the shop window, so demand from the important US Christmas season only really comes with the restocking after that period. The result has been a pullback in prices from mid-year highs.

Interestingly, the average rough price rise of 4% to the end of the third quarter is made up of the very differing performance from high quality diamonds and commercial diamonds. The lower demand from the major consumers of high quality diamonds, China, Southern India, and the watch business, has resulted in weakness of the high quality end of the market, by which I mean diamonds that when polished will come out as VS1 or better. And this is especially true in the marketing of our 1 carat, that's in terms of the rough.

It's probably also worth repeating what I said at the last conference call, mainly that there was a build up of high-quality polished awaiting certifications of the GIA. This has now come back on to the market during Q3.

Of our production, the high quality diamonds that are plus 1 carat, or VS1 or better in the rough, which represents about 22% of our production by value. And here the prices are down approximately 7.7% this year. But demand for what we call commercial diamonds, classic US, and now classic Chinese bridal, especially in the SI, slight inclusion, goods, is very strong.

Excluding the plus 1 carat VS1 or better rough diamonds, which I just mentioned, prices for the rest of our production are up approximately 6.5% year to date, with some boxes of commercial goods still up double-digit percentages from the beginning of the year.

The financing issues will not be solved overnight, and we expect they will impact the industry through to mid next year. But in the end, continued resilience of diamond prices shows the underlying fundamental strength of the diamond industry, despite the temporary impact of a shortage of credit.

The US accounts for approximately 40% of global consumption. Initial estimates for jewelry sales in the fourth calendar quarter are positive. Anecdotal evidence, combined with some of the published sales figures coming up with the big Chinese jewelry retailers, suggests that the underlying demand for wedding jewelry in Mainland China is still growing strongly.

Well thank you and with that, I'll hand you back to Brendan.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thanks, Jim. As we've just heard, the management team is looking to the future at Ekati beyond 2019, as we advance Jay and Sable projects. But we're also firmly focused on executing the current mine plan. Our Company-wide cost-improvement initiatives are progressing well after identifying potential efficiencies in all areas, from external spend to internal process improvements, and we're now transitioning into implementation.

It's proving to be a very useful exercise, as we challenge ourselves to question assumptions and look for additional opportunities to add value. That approach is currently paying dividends in the process plant that Chantal has outlined. And after a year-and-a-half of operating the Ekati asset, we are feeling in a very good groove.

A significant milestone was achieved with the filing of the DAR for Jay, and we are now focusing our efforts on the analytical and hearing phases of the environmental assessment process. At the same time, we're moving forward with the Jay PFS, pre-feasibility study. We've been encouraged to date that permitting is on track and believe that this is due, in no small part, to the devolution of authority from Canada to the government of the Northwest territories.

We're also pleased, of course, with Rio Tinto's recent approval of the A21 pipe at Diavik. A21 will provide all-important ore to the process plant until the end of mine life at Diavik. We look forward to releasing more information in that respect, as we receive an updated mine plan expected in Q1 of next year.

Sales, as you've heard from Jim, were relatively strong given they were held in advance of the Diwali holiday, which is a traditionally slower period for the industry. Falling on top of those numbers, we also feel quite good about improved margins and lower cost per carat, leading to a strong earnings per share for the quarter.

And finally, although our CEO and Chairman, Bob Gannicott is on leave until mid-February, we do feel confident in our ability to execute on the Company's plans in his absence. This is a strong, well-rounded team, and with the addition of Elliot Holland in Yellowknife to lead the Jay project, we have filled out the management group nicely.

So thank you very much for listening this morning. We would be happy to take any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

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

Des Kilalea - *RBC Capital Markets - Analyst*

Good morning, everybody, and good afternoon those who might be in Europe.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Good morning, Des.

Des Kilalea - *RBC Capital Markets - Analyst*

Hi, Brendan; hi, Jim; hi, Chantal.

Jim Pounds - *Dominion Diamond Corporation - EVP of Diamonds*

Hi.

Des Kilalea - *RBC Capital Markets - Analyst*

Just a couple of questions -- one or two for Jim, if I may. Jim, could you just -- a bit more color on the difference in performance in the different categories of diamonds, and how you see that panning out? Do you see people moving perhaps more down the value chain towards goods even worse, if there's such a term, than SI? And also, how you see the diamond funding challenge resolving itself; are you seeing new banks coming in?

And then, maybe for Chantal, interested to hear your take on the additional ore in Koala underground, and what that might mean for how much ore there would be and the extra life you might have in the existing ore bodies before you get on to Jay? Thanks.

Jim Pounds - *Dominion Diamond Corporation - EVP of Diamonds*

Okay, Des. Well, I'll take it away from there. I think one of the things that -- it's almost a double-edged sword really. Technology has entered and really helped the diamond industry quite a lot. But when you examine a diamond -- a rough diamond -- to see what the maximum value you can get out of it and what does it produce, it tends to go for better-quality goods, and it tends to improve the yield and allow you to extract better-quality goods out of the diamond, which, in itself, is probably not really what the market needs at the moment. So, this sort of reliance on the technology has probably delivered the current imbalance of goods into a market where higher-end polished has yet to really find stabilization.

So, will there be a movement down? I would think the people really are looking. The demand -- we're in the middle of a sale here, and the demand very much is for the commercial goods, because they are able to polish them, move them through the certification process, and get them on to the market quickly. So, yes, I think there will be some movement down. But the technology is there, and there will be a point when the demand for better-quality goods does return and prices will stabilize there.

And the second point, on the financing of the markets -- yes, to answer you. You hit it there, that there are other banks coming into the market at the moment. We're seeing banks from the Middle East, from the Emirates, coming into the market, and further interest being shown by Chinese banks, and some -- even in Southern Africa, we see Barclays coming in as well. So, yes, there is a shift in the dynamic of those banks, but we will see an interest returning to the diamond business.

Des Kilalea - *RBC Capital Markets - Analyst*

Thanks, Jim.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Okay, so, Des, morning. Just to go back to your question on Koala, obviously, there's a [little work] going on right now. First, like I said, the initial plan when we acquired Ekati, the assumption was that, beyond 2019, Ekati was shutting down. So, there was still a fair bit of broken ore in Koala that would assume never to be recovered.

So, obviously, as we update our plans, start looking at the impact of Sable, which was going to help, obviously the impact of Jay, suddenly this ore that was going to be left in place is now recoverable. So, we're in the process of assessing that.

I would say at least there's definitely probably 0.5 million tons that was sitting there that will be in a position to recover, for sure. In addition to that, as we've operated the place for 18 months now, relooking at the grades and results from Koala, we've also identified the opportunity to deepen -- as I mentioned, to deepen Koala by probably another two levels.

Again, it's work in progress, but I easily see probably 200,000- or 300,000-ton being added to that. So, when you start adding the 0.5 million, another 200,000 or 300,000, we could easily see the life of Koala extended by two years, maybe three years, as a mix to the Jay production, to the Sable production.

Sable, what we said, is obviously a key thing. It could be a [stop gap] measure if things take a bit more time around Jay. We're still a work in progress; the results that we're going to get from the bulk sample this coming winter will really help us finalize our work.

Our design, as you probably know, looking at our resource and reserve statement, we got something like 15 million tons at a grade of 0.9. So, obviously Sable is a very attractive project for us. But again, we need to make sure that we get a good understanding of the value associated with the deposit.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Des, it's Brendan here, you know the theme obviously is that the mine plan we currently have runs out in 2019. We need to bring Jay on stream, but we're aware that there's likely to be a gap here.

So, we have got to go back and evaluate every opportunity we have to extend the current mine plan. That means looking at Sable; looking at Koala. We'll eventually have to assess if we have got something underground at Fox, or deep at Fox that we could proceed with. But it's early days, just assure you that we're looking very hard, both Chantal's team and Elliot's, to talk about how we can effectively transition into Jay.

Des Kilalea - *RBC Capital Markets - Analyst*

Thank you, everybody.

Operator

Your next question comes from the line of Matthew O'Keefe.

Matthew O'Keefe - *Dundee Capital Markets - Analyst*

Yes, thanks, good morning, gentlemen. Great job. Great quarter.

Just two questions for me. First up, wonder if you can give us any thoughts on how you might structure the dividend? Are you looking at a special quarterly, semiannual/annual? And that's my first question.

And then the second question is: With fuel costs -- oil now is under $60 a barrel. You have a winter road in the first quarter of next year where you bring up pretty much a full year's supply of fuel. Have you priced your fuel yet, and are you going to see -- will you be able to benefit from this pull-back in fuel prices?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Sure, thanks, Matthew. I think, first, Dan will speak to dividends, and we'll turn it over to Chantal after that to talk about how we purchase fuel.

Dan Jarvis - *Dominion Diamond Corporation - Acting Chairman of the Board*

Sure. I'm afraid I can't really give you any more on the dividend at this point. That is one of the things that we'll announce when we get to the point of April, in terms of whether we'll be quarterly, semiannual, et cetera.

So, at this point, we just wanted to send a very strong message to our shareholders that we are clearly listening. We've had lots of discussions about capital allocation, and we have made the decision to initiate the dividend following the release of our financial results.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thanks, Dan. Chantal?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Matt, good morning. On the fuel, we purchase our fuel essentially probably quite ahead of the winter road season. So, the 75 million liters of fuel are going to be -- move up to the winter road. On the winter road, this coming winter is already purchased; so, obviously, we can't benefit from what's happening right now.

Having said that, we're already in discussion looking at the future. What are we going to do for this upcoming year? So, the plan is probably sometime in the next three to four months, three to six months to purchase the fuel that was going to come up in the winter road of 2016. And obviously, with everything that's happening, we're talking to several people how we can benefit.

So, long story short, no impact for the fiscal year that's coming in front of us, but definitely an opportunity for FY17 and FY18 to make some major savings.

Matthew O'Keefe - *Dundee Capital Markets - Analyst*

Okay, great. Thanks very much.

Operator

(Operator Instructions)

Your next question comes from the line of Tanya Jakusconek.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Good morning, Tanya.

Tanya Jakusconek - *Scotia Capital - Analyst*

Good morning, everybody. Thank you very much for the call. I just have a few questions, and I appreciate that the dividend is a Board decision, and that will be made and announced in April. But maybe, have you thought about how you look at the dividend, whether it's a target based on yield, or is it a pay-out versus a pay out on earnings or free cash flow? Or how have you thought about the dividend policy and a minimum cash requirement on -- obviously on the balance sheet?

Dan Jarvis - *Dominion Diamond Corporation - Acting Chairman of the Board*

Yes, I can say we have thought a lot about all of those things. I would also say that our thinking continues, and discussions at the Board level will continue. And that was, in fact, part of the reason that we have adopted this approach of signaling that we are feeling very comfortable with our ability to, as I said earlier, to both fund our expansion plans, as well as the same regular distributions. We know we are there, but issues like the ones you're talking about, dividend policy, dividend cover, all of those things -- we'll enunciate and articulate a position in April when we announce the first dividend.

Tanya Jakusconek - *Scotia Capital - Analyst*

And then, to ask a little bit further, what would be a comfortable cash position that you would keep on the balance sheet, that you think the Company needs to have a minimum cash balance?

Dan Jarvis - *Dominion Diamond Corporation - Acting Chairman of the Board*

I can't really answer that question, because it really is -- that is a very broad question in terms of -- you have to look at many more things than just the cash position to answer that question. So, I'm afraid I couldn't be specific on that.

Tanya Jakusconek - *Scotia Capital - Analyst*

All right, I'll move off the dividend, and we'll get some more specifics on the technical side, so maybe from Chantal. Chantal, can you share with us what you're looking at for capital for 2015 calendar? We had an idea from Ekati, but maybe something in terms of Diavik, and then cost of sales for both mines?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

For Diavik, let's start with -- good morning, Tanya.

Tanya Jakusconek - *Scotia Capital - Analyst*

How are you?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

For Diavik, the big focus this year is going to be basically A21. I think there's a bit of, obviously, continued sustaining capital associated with the finalizing the development of the existing pipe. But the main focus for this year is going to be A21.

Obviously, following the announcement, I know the guys are updating their forecast for expenditures. So, we'll probably be in a better position early into the New Year to discuss the profile. But that's going to be the main need.

As for Ekati, we're talking in the probably $35 million to $40 million this coming year. The focus is going to be -- again, there's going to be the development of Pigeon, which is obviously completion of the Misery capital is also the two big ticket items. There's some equipment to support the development of Lynx. So, that's pretty much the three big buckets of where we are going to see capital spending at Ekati for the coming year.

Tanya Jakusconek - *Scotia Capital - Analyst*

Okay, and cost of sales?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

I would say probably very difficult at this time, until we -- we are right in the middle of finalizing our budgets for next year. Obviously, we've just completed our review of the mine plan. And also, not only for next year, but for the following years.

So, we're in the process of putting our numbers together. I would expect that they're going to be probably very similar to this year, but until we complete the budget, to try to come up with a final number.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Tanya, it's Brendan here. Obviously, we've had a very strong quarter, strong margins, but we want to be cautious. These margins -- there's a range, and we think we're at the very high range here. So, I don't want to give you the sense that we think we can continue at this margin level. We will be into coarse ore rejects. We'll be into satellite Misery. So, we are excited and encouraged by this quarter, and things are going well at Ekati, but we don't want to guide you to high margins go forward.

Tanya Jakusconek - *Scotia Capital - Analyst*

Yes, and then, Brendan, since you're on, can we get an idea for some of the timing of all of this information coming out? So, maybe I could start with the pre-feasibility of Jay. When will that be available to the market?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

I'll go to Elliot on this, but we're working very hard to produce this pre-feasibility, and release that information. You can imagine all hands were on deck with respect to the DAR. We've transitioned that horsepower now, and to focus on pre-feas.

Elliot and his team are working long, long hours. It's not going to be much of a Christmas for them. But look, I'll turn it over to Elliot, and maybe he can provide a little bit more color in that respect.

Elliot Holland - *Dominion Diamond Corporation - VP of Jay Project and Business Development*

Look, I think the main thing that we've done is we've realized that the DAR was really on the critical path for the development of Jay, because that started the clock on the permitting timeline. Given that we're looking at a year-and-a-half for permitting, we are not under the same time pressure with respect to the pre-feasibility study, in terms of the actual impact on the project timeline. Having said that, we know it's important to our shareholders, so we're working diligently to get it done.

Tanya Jakusconek - *Scotia Capital - Analyst*

Is that a January thing then, or February, or do we need to wait for Q4 numbers?

Elliot Holland - *Dominion Diamond Corporation - VP of Jay Project and Business Development*

It's too early to say.

Tanya Jakusconek - *Scotia Capital - Analyst*

Okay. How about the life of mine plan for Diavik? Will that be coming out when Rio Tinto puts out their numbers?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Yes, basically when we produce our numbers for the New Year, we're going to have the life of mine plan that is going to show the addition of A21. And at the same time, it will be producing updated life of mine plan for Ekati, so that should be into the New Year.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

We're expecting -- we don't know exactly when we'll get this information from Diavik, but that will also -- we'll be able to provide you more -- you were asking questions about CapEx at Diavik and the spend at A21. That information will be coming in, and we will put it out to the market. We think about this as a four-year construction project. Two-thirds of the spend is probably in the middle two years, but we'll give you more granularity on that in the New Year.

Tanya Jakusconek - *Scotia Capital - Analyst*

I'm just wondering if we need to wait for when you report Q4, which is April, or do we get that in the Q1 sometime?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Look, impossible for us to know, but we're anticipating Q1.

Tanya Jakusconek - *Scotia Capital - Analyst*

Okay, and is that the same for reserve statements? Because, clearly, Rio will have to put out their reserves. When they put out their numbers, they give us guidance in January. Will reserves be coming out, too, at the same time, or do we need to wait for that?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

I expect to get the -- Tanya, I expect to get the high-level numbers at the end of our fiscal year, with the revised 43-101 coming probably normally like a month and a half, 45 days right after that, so into March. So, high-level numbers, end of the fiscal year, and then the detailed numbers sometime in March.

Tanya Jakusconek - *Scotia Capital - Analyst*

Okay, all right, I guess we'll just keep waiting then; thank you very much.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thanks, Tanya.

Operator

Your next question comes from the line of Brian MacArthur. Please proceed.

Brian MacArthur - *UBS Warburg - Analyst*

Good morning. Could I just go back to -- I thought it was interesting, too, the new Koala stuff. And you talked about the tonnage there, Chantal. Is there any reason why -- the grades have moved around a little bit there historically, and it's valuable rock. Is there any reason that the extra 200,000 to 300,000 tons shouldn't be similar grade going forward? Do you know enough yet you can say, because obviously it makes a difference out there.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Yes, it does. It does. There's obviously a lot of work being done. It's part of also, our updated resource and reserve statement. So, we're right in the middle of that right now, where we're updating our model, both the geometry and also the grade. Definitely, it was probably not in the cards before with the previous owner, because probably their understanding of the grade at that depth wasn't as, for lack of better word, thorough as what we know now.

So, again, without making -- stretching myself too far, I think there's a good likelihood that the stuff at depth that we're looking -- we're considering to access is probably a similar grade of what we're seeing right now. But again, we're doing the work, and you will see -- coming with our updated resource and reserve statement, you'll definitely see some changes in the model grades for Koala.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Brian, it's Brendan here. Of course, we want to be very cautious, right? There are twists and turns in this grade road, and we know that. So, we're being very cautious in terms of how we guide go forward, but we're pleasantly surprised thus far.

Brian MacArthur - *UBS Warburg - Analyst*

Just back to Tanya's question, so will this stuff go in the Ekati -- there's a lot of moving parts as we go around here, and I appreciate you guys are doing a lot of work. But will that be in the new stuff that we see, whenever it comes in the first quarter? It will be in the reserves and resources you're saying, so it's going to be in the mine plan, too?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

It's going to be -- there's going to be an update in the mine plan, the stuff that's above the 1810. So, the update is going to be part of -- obviously, you'll see the change in the existing mine plan. And based on the work -- we're working pretty hard right now to see -- it might not be a reserve, but it might be identified as a resource for what followed the existing mine plan.

Brian MacArthur - *UBS Warburg - Analyst*

Great, that's very helpful. I've just got another question, and I don't know -- I realize this is a little bit up in the air, too, but with all this spending, all this changing, I've lost a little bit where we are on tax pools in Canada. So, as I go forward the next two or three years, and I think of tax rates current versus deferred -- obviously it affects the cash available as we think about the dividend and everything. Can you give us any guidance on how we should think about taxes the next three years, cash versus deferred?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Brian, I think that's a very difficult question for us to answer. I'll turn it over to Ron, but I would say that we can certainly do some work and provide you with some information for your model. But just off the cuff here, that's going to be a difficult one for Ron to answer, I think. Ron?

Ron Cameron - *Dominion Diamond Corporation - CFO*

The taxes are a really difficult one. The statutory rate -- we guide to 26.5%. There's so many variables that play into it. And as we get more information in terms of the projects that we're undertaking and the work that we're doing, we'll be able to sit down and take a look at it, but it's a really tough one to estimate. And especially with FX being thrown in there as well, because the tax provisions are calculated on a local country currency, and then they have to be translated to US for our statement purposes.

Brian MacArthur - *UBS Warburg - Analyst*

Fair enough. I realize it's complicated, so I appreciate it. Thank you very much.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thanks, Brian.

Operator

Your next question comes from the line of Kodees Waran. Please proceed.

Kodees Waran - *BMO Capital Markets - Analyst*

Oh, hello, everybody. It's Kodees from BMO.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Good morning.

Kodees Waran - *BMO Capital Markets - Analyst*

You are now guiding to a production of 2.9 million carats at Ekati. For this guidance, have you taken into account any impact of the current plan modification you are working on? That's my first question.

And the second one: Rio Tinto has guided A21 CapEx of $350 million. On this number, have you analyzed from your point of view, and are you happy with that one?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Go to Chantal on the 2.9 million carats?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

On the guidance right now, and I think Brendan pointed out, we're being very careful how we assess some of the changes. Obviously, in the 2.9 million, we've assessed -- we've assumed a certain gain -- that the stuff that we've known that we've measured for sure so far in the first three quarters. There's probably other opportunity right now, but we've been very careful not to assume -- not to be too optimistic in our assumptions.

So, I would say so far, I feel comfortable, based on the results of the three quarters, that we should reach that. There might be opportunity to do better, but until we really fully understand the impact of the physical change that we've just made, I think we don't want to commit to too much more.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

And just with respect to Diavik, obviously this is not the first dike to be constructed at Diavik. So, Rio Tinto, confident operator; I think going to do a good job in building. We're confident that they can deliver on A21. Thank you.

Kodees Waran - *BMO Capital Markets - Analyst*

All right, thanks. Just one again on the 2.9 million carats: Actually, you have (inaudible) to some impact for whatever you have done. So, can I read like that?

Ron Cameron - *Dominion Diamond Corporation - CFO*

Yes.

Kodees Waran - *BMO Capital Markets - Analyst*

All right, okay, got it. Thank you.

Operator

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

Des Kilalea - *RBC Capital Markets - Analyst*

Thank you. Just returning to Jay: The spending to date on Jay is close to $50 million. Has your remaining partner been paying the share that is required of that, or does that get capitalized and allocated to them later? And also, are there any plans to increase your stake? Are you in any conversation with the remaining partner on the core and the buffer to maybe buy some more?

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Last question first: No, we are not in any discussions. And, yes, the joint venture partner has been paying their way in the project, and we expect them to continue to do so. Obviously, we're very excited about this, and it represents a huge opportunity for this Company.

We've got a lot of work to do, of course, and we're doing that. Elliot is firmly into that now. But we're encouraged; things are going quite well.

Des Kilalea - *RBC Capital Markets - Analyst*

Thank you.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Thanks, Des.

Operator

That concludes the question-and-answer portion of this call. I'd now like to turn it over to Brendan Bell for closing remarks.

Brendan Bell - *Dominion Diamond Corporation - Acting CEO*

Well, thank you very much, and thank you to all of you who have tuned into the call. We are quite encouraged. It's been a good quarter for us; we're executing well at Ekati, things are going nicely at Diavik, and of course, Elliot and his team are working very hard on the future.

I would though say, just as a word of caution, we're all very well aware and I know you are that, with the wobbles in China, with the real -- very real credit squeeze in India that Jim has talked about, we're expecting next year to be a difficult year. So, although we're encouraged by the strong quarter, and think things are going well, we don't want to get carried away here. We know that things will be challenging into the future. So, thank you very much for tuning into the call; look forward to seeing you again soon.

Operator

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