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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Dominion Diamond Corporation's fiscal 2016 second-quarter earnings results conference call.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would 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, Corporate Development & Head of IR*

Thank you, operator. Good morning everyone and welcome to our fiscal 2016 second-quarter Diamond results conference call.

On the call today is Brendan Bell, Chief Executive Officer; 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 would like to point out that this conference call will include forward-looking information. Various material factors and assumptions we use 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 will hand the call over to Brendan Bell.

Brendan Bell - *Dominion Diamond Corporation - CEO*

Thank you, Richard. Good morning ladies and gentlemen. Welcome to the earnings call for the second quarter of our financial year 2016.

Firstly, I'm pleased to report that we will be paying an interim dividend of $0.20 per share in November of this year. I'm also pleased in what was admittedly a weak market the Company generated positive free cash flow during the quarter. Equally importantly we'll also expect to generate positive cash flow for the second half of the year.

I'm pleased to say that we've completely resolved the operational issues we experienced in the fourth quarter of last year and the first quarter this year and we have now caught up with our original mine plan. We continue to focus on improving efficiencies at Ekati including the implementation in July of a new processing strategy to further increase diamond liberation. More on that shortly from Chantal.

We have published the positive results of the Sable preliminary economic assessment, pushing ahead with a feasibility study and permitting at Jay both of which Elliot will speak to. We ended the second quarter with a strong balance sheet which we will discuss shortly and Ron will take you through that. We think this is the right position to be in in these markets.

We are therefore well-positioned to both fund our development projects and continue to pay a sustainable dividend. The long-term supply-demand fundamentals for diamonds remain positive. The industry has been experiencing some short-term headwinds which Jim will take you through later in the conference call and then I will come back and I'd like to conclude with some comments about our overall business and then we'll take your questions.

With that let me hand you over to Chantal.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Thank you Brendan and good morning everyone. First let me start by talking about what's happening at Diavik.

On the mining front total tonnage was slightly ahead of plan for the quarter. On the cost side the team at Diavik continues to do an excellent job on both OpEx and CapEx with the second-quarter and year-to-date costs being on or below budget.

As for A-21 development work is proceeding on schedule and on budget with aggregate preparation slightly ahead of plan and key contracts for the dredging and cutoff wall construction now in place.

Now let's turn over to Ekati. On the mining front we continue to make good progress towards achieving our goal of mining 27 million tonnes of rock this fiscal year. Since May surface mining activity has shown consistent productivity improvement month after month.

At Misery mining at the Satellite ore bodies and waste stripping is progressing as planned with the Misery Main Pipe still on track for first production in Q1 of fiscal 2017. At Pigeon ore production is scheduled for November of this year. Until then Coarse Ore Rejects will be added to supplement plant feed.

Another important step with respect to surface mining activities was the initiation of the development work at Lynx where the fish-out was completed at the end of July and work on the dewatering phase and road construction began. All work at Lynx is progressing on budget and on schedule with pre-stripping activities scheduled for December of this year.

At the underground the second quarter saw several important achievements. First Koala and Koala North productivity improvement continued to exceed expectations aided by the implementation of a number of key initiatives including improved contractual arrangement with the resulting positive impact on both productivity and cost, better resource allocation and the relocation of the tele-remote operations to surface.

The resulting impact of these improvements was that by the end of the second quarter the FY15 Q4 shortfall of underground ore due to the conveyor failure was made up and higher-than-expected productivity continued through August. Finally, the core drilling at depth at Koala Underground was continued with initial results indicating potential for two more additional levels as Phase 6 and Phase 7 are extending below the existing 1810 level. Micro diamond analysis will be conducted in order to validate and complete the information required to integrate the expansion into the mine plan.

On the processing front we continue to make significant progress in optimizing diamond recovery and extracting more value from the material being processed. Since we acquired Ekati two years ago we've made continuous improvements in the way the plant is being operated and change of focus from quantity to quality. These range from last year's successful achievement of recovering more fine diamonds and changing our operating practices such as operating pressures on the cyclone, screen sizes and recommissioning the re-crush circuit.

Our effort during this second quarter of this year will focus on increasing diamond liberation. More specifically by changing the way we operate our high-pressure roll crusher ore crusher especially on the tighter floating gap rather than larger fixed one, further throughput reduction of our dense media separation, what we call the DMS units, and stricter control on the cone crusher operation we've managed to increase liberation of diamonds up to 1.5 carats.

We've been operating the plant in this manner since July 4, averaging around 10,500 tonnes per day compared to the normal 12,000 tonnes a day. Although it is still early days preliminary test results show that at a lower throughput we are actually realizing an increase in grade as a result of this diamond liberation initiative. These early results indicate that the impact on the new diamond liberation initiative could be incrementally positive to annual revenues.

We plan to continue these tests through the third quarter so we can better understand the long-term benefit of these changes and build them into our life of mine plan. Furthermore, the addition of three grease tables in the process plan should be completed in the coming months and we are also progressing with the detailed design of the fine DMS unit which is expected to further increase small diamond recoveries.

Orders for critical equipment to be delivered in the calendar 2016 winter road have been placed, enabling us to commission the new fine DMS unit by the end of Q3 2017. The completion of the Sable PEA which Elliot will talk more about indicates that we could have around 2 million tonnes of additional mill feed available in fiscal years 2020 and 2021. Slowing down the process plant to increase diamond liberation could reduce the mill feed requirements by around 3 million tonnes in the five years between fiscal 2017 and 2021.

This means that we could displace some Coarse Ore Rejects from the mine plan and still have an additional year of feed available before Jay would be required to supply the plant. On the cost side the evolving Ekati initiative started last September has been delivering excellent results. From key contract renegotiations to energy efficiency improvement, power consumption and reduction, introduction of load trains for long-distance ore haulage, mine air heating optimization and underground productivity improvements have all contributed to what is now a 15% reduction on unit operating cost per tonne mined compared to FY15.

We believe there's still potential for more improvement but also recognize the need to ensure that these changes are properly embedded in the way we operate. Thank you and now over to Elliot.

Elliot Holland - *Dominion Diamond Corporation - VP, Jay Project & Business Development*

Thank you Chantal and good morning. The Jay project would provide significant positive benefits in the upcoming changes to mine plan that Chantal has outlined which I will describe for you today. I will also provide an update on sampling, engineering, procurement and permitting.

But first let me give you some color on what we have done on Sable. As you saw yesterday we have published the results of the Sable preliminary economic assessment. This is on the back of a large bulk sampling campaign that we conducted this winter that resulted in upward revision of the estimated price per carat despite the market headwinds somewhat offset by a decline in the resource grade.

Incremental economics at Sable are very good with a post-tax IRR exceeding 17% and an NPV that is much greater than the initial development capital. I want to emphasize here that these are incremental economics so we are including the impact of deferring Jay ore somewhat to make room for Sable in the processing schedule.

The projects are very complementary. Sable and Jay keep our production balanced between higher value and higher grade deposits. They will give us blending flexibility in the process plant and they will share the same mining fleet built around 240 tonne class haul trucks.

The next steps on Sable are to ramp up our owner's execution team, complete the selection of an EPCM contractor and mobilize a contracted fleet to build an-all season access road to the site. Sable is a fully permitted development, so we can start construction as soon as we're able to bring in the gear on the winter road and we've fulfilled all the conditions of our permits.

In parallel to these pre-works activities we will be working on a prefeasibility study that can incorporate the results of the processing optimization work on the Ekati process plant which could increase the recoverable carats for all Ekati pipes including Sable.

Turning back to the impacts on Jay, the potential extension by year and the need to source ore from Jay which Chantal talked about means that the Jay team plans to extend the construction schedule by a year from two summers of major construction to three. This would defer some of the CapEx for dike construction and the truck shop from fiscal 2017 into fiscal 2018 and would reduce the mining equipment required because we would need fewer haul trucks to build the dike over a longer period of time. These benefits will be quantified in the Jay feasibility study which is ongoing.

It is also good for risk mitigation because it would add some float to the construction schedule.

In fiscal 2017 we still intend to complete two major pre-work scopes. First we will establish road access from Misery to the dike abutment and second we will assemble a new crusher station and start crushing and stockpiling Lynx granite for Jay dike construction.

Let me emphasize, we intend to start construction at Jay next year as planned but we are planning to take advantage of the potential changes to the mine plan to extend and derisk construction schedule. We started processing the RC sample we collected this winter through the Ekati sample plan on July 4. The processing of this sample is more than half complete.

The results of the subsequent analysis will inform the feasibility level design of the Jay project. We completed the analysis of the hydrogeological drill program and can confirm that there were no negative or unexpected structures encountered. The updated hydrogeological model is slightly more optimistic in terms of the groundwater inflows.

We are currently updating the water management design to take advantage of these findings. We also continue to advance the dike and pit design based on our new geotechnical drilling findings. We are now advancing the feasibility study using a dike routing which is slightly shorter than the prefeasibility design, which is encouraging for cost.

We have received responses to our request for proposals for initial construction requirements such as the initial heavy mining equipment fleet, support equipment and the crusher station. We expect to be placing orders for next year's major equipment in the next few weeks. We are also in discussions with contractors on the Jay access road construction which will be done with the same fleet as the Sable Road providing construction cost synergies.

Permitting is still proceeding according to the schedule. The public record closes on October 30 after which the review board will have the opportunity to consider all the evidence and submit our decision and report of environmental assessment.

We are pleased that the schedule the review board issued in May has been precisely kept which continues to point to a recommendation to the minister in January 2016. A decision by the minister is anticipated in early calendar 2016.

Let me now hand over the call to Ron.

Ron Cameron - *Dominion Diamond Corporation - CFO*

Thank you, Elliott. Good morning ladies and gentlemen.

Once again I'd like to highlight a few key points from our press release and MD&A. These are the strength of our balance sheet, positive cash flow, the continuing impact of foreign exchange on our earnings, other items impacting our earnings and some further color on our updated full-year guidance.

Starting with our cash or with our balance sheet, we continue to maintain a very strong cash position with $344 million of unrestricted cash at July 31 and we also have a $210 million credit facility undrawn at the end of the quarter. After the end of the period you will also have noted that we have recovered CAD23 million from the security held by GNWT for the Ekati mine and we have posted CAD61 million of cash against letters of credit for our share of the Diavik reclamation bond.

During the quarter we generated positive free cash flow of $23 million out of operating cash flow of $53 million, including an additional $15 million of taxes paid against capital expenditure of $30 million. We also expect to generate positive free cash flow for the last six months of the fiscal year.

Looking now at the foreign exchange impact on our earnings, we continue to benefit operationally from the weak Canadian dollar versus the US dollar. But I'd like to point out that due to our need to purchase supplies, inventory and fuel up to a year in advance of its use the full benefit of the weakened Canadian dollar won't be seen in our financials until next year. As you will have seen we've already purchased approximately 23 million liters of diesel at a landed rate of approximately CAD1.18 per liter for use next year.

As a comparative this year at Ekati we expect to use around 65 million liters of fuel at an average landed cost of about CAD1.41 per liter. Combined with the weakened Canadian dollar at this time of purchase this is expected to lower operating costs next year. I'd also like to point out that similar to our fourth-quarter results presented in April the same foreign exchange movement that has benefited us operationally has negatively impacted the income statement for the second quarter.

As a reminder, our reporting currency is in US dollars but we pay taxes in local currencies. The 8% weakening of the Canadian dollar in the quarter impacts income tax expense in a number of ways, the largest of which I will now explain.

First under IFRS we recognize a non-cash deferred income tax expense of $28 million from the revaluation of our foreign currency non-monetary items which are primarily Canadian mining assets and liabilities. We also recorded an unrealized foreign exchange gain of $16 million on the revaluation of our Canadian dollar denominated deferred income tax liability. This is a non-cash tax recovery and a total of these two items net to a non-cash income tax expense of about $11 million.

Finally, we also recorded income tax expense of $9 million related to other foreign exchange impacts primarily related to the fact that we held a large balance of cash in US dollars at the end of the quarter which triggers a tax expense on the imputed gain when translated back to Canadian dollars at the weakened rate. In total these foreign exchange impacts and other smaller items resulted in a $20 million or $0.23 per share of additional tax expense.

In addition to the foreign exchange impact just described there were two other items that negatively impacted earnings. First, we have to report the sales and results in the margin from Misery Northeast pre-commercial production as a reduction of the pre-stripping asset instead of as sales gross margin on the income statement. Secondly, there was a one-time charge in connection with the departure of Bob Gannicott as CEO.

Taken together these two items negatively impacted our EPS by about $0.12 and combined with the foreign exchange impact was about $0.35 of negative impact to EPS. As Chantal mentioned earlier on the call we expect improvements in Ekati's gross margin for the last two quarters of this year now that we're back to plan in mining and processing. But I would caution you that this remains a transitional year ahead of Misery Main coming on stream.

You will also note that our cash cost forecast for fiscal 2016 are lower. At Diavik cash cost forecast for the full year are about $5 million lower and at Ekati they are about $10 million. This is partially a result of a weaker Canadian dollar but also partially a result of good cost management.

As Elliot mentioned, we are planning to take advantage of the potential changes in the mine plan to extend and de-risk the construction schedule. This has reduced our development CapEx forecasted for this year at Ekati which is now approximately $130 million for this year.

This is also partially due to a combination of foreign exchange and timing on other developing projects. We are comfortable that despite weaker diamond market and large development projects ahead of us we have a strong balance sheet which puts us in the position of being able to maintain a sustainable dividend.

Thank you. And let me hand you over to Jim.

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

Thank you, Ron, and good morning everyone. The mood in the diamond market is probably best described as cautious. Polished prices declined during the period as a result of weak demand for polished at a time in the year that is traditionally slow anyway because the major retail markets have already purchased stock ahead of the important Christmas season.

The US market remains robust. In China growth in the diamond jewelry consumption has certainly slowed but the slowdown in that growth has been exacerbated by the retail industry being able to satisfy existing demand primarily from excess inventory which was built up in the expectation of a continued dash for growth. The recent devaluation of the yuan by China may increase the pressure on better clarity polished prices as it was the main consumer.

In addition to China other Asian countries who are major consumers of better-end polished have seen their currencies depreciate by between 4% and 10%. This is particularly true for diamond consumption in India.

In local currency terms polished prices have not decreased to the same level as in US dollar terms. So the majority of other markets other than the US are witnessing softer demand for diamond jewelry in dollar terms when compared to the previous year. The result is that US-based retailers are holding back from buying polished as they realize the longer they wait for placing those orders the greater the pressure on manufacturers to increase the discounts on polished prices despite the reasonable demand there.

On the other side of the coin there are some positives. The lack of credit available to the middle of the price line which is a negative influence on prices early in the year is less of an issue at the moment.

In addition I've talked before about overcapitalization of the middle of the pipeline over the last few years due to too much cheap, readily available credit and the need for the middle of that market to contract. That's exactly what we've been seeing and in the long term that is a positive. Furthermore manufacturing production is down by approximately 30% to 40%.

Demand for rough is subdued, not least because with the uncertainties in the current market few Indian diamantaires will be looking to go into the long Diwali holidays later this year holding any excess stock. But it is worth noting that there is less rough on the market though there still continues to be an overhang of polished relative to current demand.

What is going to be key moving forward is going to be the level of the demand for diamond jewelry in the fourth quarter in the US when about 40% of US consumption typically takes place. That sales period begins with Diwali and the Indian wedding season which runs primarily from November through to February which happens at the same time as increasing Chinese demand builds up for the Chinese New Year in early February.

Thank you. And I will now hand you back to Brendan.

Brendan Bell - *Dominion Diamond Corporation - CEO*

Thank you, Jim. As you've just heard Diavik is performing well and the development of the A-21 pipe is expected to come into production in 2018 on budget and on schedule. A-21 provides an important source of incremental supply, ensuring the continuation of existing production levels to the end of 2023.

When we bought Ekati we bought a world-class asset but admittedly at that time one with a short mine life. The gem at Ekati and the cash generating potential of the Misery Main Pipe which is due to come into production next year on budget and on schedule. We have the tailwind of the weaker Canadian dollar but in addition we are implementing the work stream cost and efficiency initiatives and we're now beginning to see the benefit for that work.

The ongoing diamond liberation initiative that Chantal's team is working on could substantially lower the amount of low value ore we plan to process and could extend the current mine life. Jay permitting is on track. We will start construction next year but being able to take an additional year in construction is extremely beneficial as Elliot has outlined.

The Sable and Jay open pits could theoretically fill the process plant through to 2033. And we are looking at other potential ore sources on the property and this winter we will be conducting a drilling program at Fox Deep.

Jim has given you some insight into the market and indicated that we remain positive over the medium-term. Thank you very much and we'd now like to welcome your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Des Kilalea.

Des Kilalea - *RBC Capital Markets - Analyst*

Good morning or good afternoon. Hi guys. Thank you very much.

Just something that intrigued me, the two additional levels at Koala, is this in addition to the mine plan? Is that something new?

And then on Jay, the ability to push it out another year or so if these two levels are indeed additional does that mean you've even got more flexibility to push Jay further?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Yes, I think that's right. But Chantal why don't you take us through the development of Koala, a couple of levels of Koala and then what this all means for Jay.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Yes, first of all good morning. The two additional levels at Koala are not in the existing mine plan. As you see we're still trying to finalize the volume.

We are not going to, obviously what we're trying to do is to accelerate the mining of the underground. We talked about it earlier so we made some big improvement and we obviously want to continue that. So I don't think that that extension will have a lot of impact if any on Sable.

Really what we're trying to do is maintain the higher productivity that we've achieved so far this year and at these two levels and try to complete the mining pretty much at the same time as in the plan that we've got right now.

Des Kilalea - *RBC Capital Markets - Analyst*

So it does give you, though, some flexibility to move Jay out further should you want to?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Not really because it's a very small scale. So we're not talking about millions in tonnes, we're talking about hundreds of thousands of tonnes. So it's really more again, it might represent another, at most would represent another six months of mining for the underground.

And really like I mentioned we want to continue mining the underground faster and we've demonstrated over the last quarter that we can do that. So that's the intent so far.

Brendan Bell - *Dominion Diamond Corporation - CEO*

I think the main takeaway here is that with the addition of Sable and the processing strategy we've got some flexibility. We've got some time. This will help us with Jay.

We'll still start construction as Elliot has indicated at the same time. But it allows us some flexibility and will help us better manage the project in a more reasonable way, keep cost down and de-risk the project effectively.

Des Kilalea - *RBC Capital Markets - Analyst*

Thanks, Brendan. And just while I -- just the underground at Fox if it proves that there is sufficient ore to do a decline or whatever, is that subsequent to Jay or how would you view that at this very early stage?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Well, look, and I think that's the main point is that this is very early. We need to go in there and prove that up.

We'll have an RC campaign this winter. We need to better understand the grade. But the current thinking is that if something were economic at Fox it would be subsequent to Jay.

Des Kilalea - *RBC Capital Markets - Analyst*

All right, thank you Brendan, thank you Chantal.

Operator

(Operator Instructions) Zack Morris, Osprey.

Zack Morris - *Osprey Capital Partners Inc. - Analyst*

Hi guys, thanks for your time this morning. I just want to ask a question, I want to understand the justification for the $10 million payout to Bob Gannicott under his change of role.

It's unfortunate he had to take a medical leave but since he joined the Company back in 2007 in US dollar terms the stock has significantly underperformed by about 60%. And given the lack of return to shareholders I'm just curious how you guys thought about paying roughly 1% of the market cap for him to remain as Chairman?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Thanks, Zack. Look it's a combination obviously of our contractual obligation to Bob. But I think more importantly I'd like to emphasize that effectively Bob built this Company, from the discovery of Diavik and all that has meant, the purchase of Harry Winston which was so key to the Company and then subsequent to that the very timely sale of Harry Winston which proved to be very profitable for us and followed that up with the purchase of Ekati, bought it very, very well.

We've been able to execute there. Look he's been pivotal, he built the Company, he effectively found this Company. And that's the rationale for the payment to Bob.

Zack Morris - *Osprey Capital Partners Inc. - Analyst*

Okay, thanks, guys.

Operator

Yen Voo, Nomura.

Yen Voo - *Nomura - Analyst*

Hi, good morning guys. Just probably a question for Jim regarding the diamond market. Understand that Dominion had the site about on a week of August 17 which is a week before the De Beers site.

So your reports state that prices are down by 5% for the fiscal year and De Beers site which is just a week after was cut by about $0.10. So my question is really is Dominion's price drop sufficient, is this strategy going forward to drop prices or to hold back by stockpiling? Thanks.

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

Hi Yen, it's Jim here. Firstly I wouldn't want to comment on De Beers pricing at all. I'm not privy to that, but I would say that we did reduce as you said our prices by 5%.

We feel confident that the market we would hope could stabilize at this level. We will have to review it. We've got the important Hong Kong show coming up next week and as I said in my script we're going into the strong sale season ahead of us.

So whilst it's difficult to call at the moment I remain quite positive that the markets will react and we really have to see how good things are going ahead. I'm not positive about the Hong Kong show. But I feel quite good because let's think that Chinese bridal is steady, it's not as though it's growing greatly, but we know it is steady.

Even Mr. Rapaport in his report this morning said it was steady. And America is very positive. So I think really it will be a wait-and-see review on how we proceed and with an eye on what I feel overall will be a good sales quarter coming up at a retail level.

Yen Voo - *Nomura - Analyst*

Okay, thank you. So is it fair to say that Q3 would probably hold at this level but you would need to see the sales period coming through for the Christmas season, wedding season and then we hope that by January things would pick up?

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

It's very difficult to predict and we'll have to read the market as it unfolds. But let's see.

Yen Voo - *Nomura - Analyst*

Let's see. Thank you.

Operator

Tanya Jakusconek, Scotiabank.

Tanya Jakusconek - *Scotiabank - Analyst*

Good morning everyone. I think that's me. I just wanted to ask -- I wasn't sure where I was working from and I don't know if that was my name.

But anyway I just wanted to talk a little bit about Sable and Jay because right now you've put out your initial study on Sable. We have a technical report on Jay but looks like this is not really what's going to be coming out anyways from a mining standpoint.

So maybe Chantal can you talk conceptually what you think the mine plan would be before we get or when are these studies coming out when you've incorporated Sable and Jay and I guess the extension of the underground so that we would have a continuation of what we think is happening on this property?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Really short answer is early next year Tanya but let's go to Chantal for some color.

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Yes, I think definitely there's a lot of things like I mentioned there's a lot of things happening right now. Definitely end of this fiscal year we'll have all these things in place when we produce our update on resource and reserve it will incorporate all these changes. Very high level, again it's a work in progress.

Elliot talked about Sable really Sable we're basically moving ahead. We're going to start building the roads, we're finalizing contracts and building the team as we speak and really start building the road next year. We've got a couple of years of construction and then ore starting to be produced in calendar, slowly calendar year 2018 and then ramping up.

Sable is not a big pit. But it's going to provide us about around 1 million, 1.5 million tonnes of ore steady. So that's the plan for Sable.

In the meantime Elliot mentioned the fact that we've de-risked the construction. We are obviously looking at all of the synergies with the other projects and taking three years instead of two, de-risking, making sure we do things in conjunction with the other activities. And then Jay would start I mean ore production on year number four.

So really what we see is short-term no change, Misery, Pigeon as a big focus, we're going to continue accelerating, the mining underground has been great success, we're bringing forward some of the very high quality diamonds from underground and then phasing out Sable coming in. And then by the time Pigeon and Misery are completed then Sable -- Jay will be up and running.

And then we'll run a nice plan at least at the front end of Jay. For the five years at Jay will have a nice run of Sable and (inaudible) and then Jay's going to carry on until it's mined out.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. So when is the prefeasibility on Sable coming out?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

End of this fiscal year.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. So that will be in January.

And what about the adjustment to Jay? When's that coming out?

Elliot Holland - *Dominion Diamond Corporation - VP, Jay Project & Business Development*

It will be early next fiscal year we'll have the Jay feasibility.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. And the Jay feasibility, will that be incorporating Sable or are they going to be two separate?

Elliot Holland - *Dominion Diamond Corporation - VP, Jay Project & Business Development*

The Jay feasibility will be based on the latest mine plan at the time which we would expect to include Sable.

Brendan Bell - *Dominion Diamond Corporation - CEO*

The other thing that we're hopeful obviously is it will incorporate the process plant changes. As you can tell there's a lot going on here but it's all very good. We've got the luxury of some very good work in the process plant, the addition of Sable and all that means that we've got some flexibility with the time that we need to bring (multiple speakers)

Tanya Jakusconek - *Scotiabank - Analyst*

I appreciate the time of an extra year. That's fine. I'm just trying to understand when the next piece of information is coming out to the market.

It will be a complete study of both Sable, Jay, Jay pushed out a year so that the market can actually see what you're going to be doing here this time. Is that a correct assumption?

Brendan Bell - *Dominion Diamond Corporation - CEO*

That is and we could publish something on Sable sooner but it won't be able to incorporate the process plant changes so we'd end up doing it twice. The decision was taken, really let's just incorporate that, let's come out early next year and give you the full story.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. So that's going to be a critical study and then obviously the permit for Jay which you said would be shortly early next year after the ministry receives, I guess they're getting that document in January.

Brendan Bell - *Dominion Diamond Corporation - CEO*

Yes, that's right, that's our expectation. I should say things are going very, very well there.

We are keeping to schedule, very encouraged. And we think this is in large part due to the fact that the responsibility for permitting in the Northwest Territories was devolved from Ottawa to Yellow Knife.

There is an alignment of interest. People are working very hard to try to get this project approved.

Tanya Jakusconek - *Scotiabank - Analyst*

And then maybe just on the Canadian dollar sensitivity, can you remind us for every penny change in the Canadian dollar, the impact to you?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Yes, sure. Why don't I go to Ron for that. It's important to remember that the CAD weakness really helps us principally with respect to our labor bill which is almost a third of the cost of mining at Ekati.

As Ron indicated we're buying energy for the next year and it's a lot cheaper than it was in the past but really that's USD. So principally the effect of the CAD weakness has been on labor but Ron, do you want to take that?

Ron Cameron - *Dominion Diamond Corporation - CFO*

This is one area I don't think we've ever really disclosed what that impact is. Let me go back and take a look at that and then we will look at potentially trying to add something into future disclosure.

Brendan Bell - *Dominion Diamond Corporation - CEO*

Sure, look Tanya we'll take that away and we will certainly come back to you.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay, thank you very much. Sorry, maybe just on the exploration program, I mean I saw exploration spend is down. What's the focus on exploration or reserve replacement for next year?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Why don't we go to Chantal. We've got a couple of things both, in past we used to refer to work and spend on Jay as exploration so you've seen that impact. We're no longer doing that.

But also and with respect to greenfields we've got some future workplan. Not big, big spend but we firmly believe that there are more mines to be found in this jurisdiction and we'll be focusing on that going forward. But Chantal do you want to provide some thoughts?

Chantal Lavoie - *Dominion Diamond Corporation - COO*

Yes, well you mentioned if you remember Brendan mentioned we talked about later about drilling in Fox Deep. I would say that site per se, that's the only and it would be brownfield, it's already crossed, a huge potential there.

We know there's a lot of tonnes, over 25 million tonnes, we don't have a good understanding of any changes in grade and associated value. So that's going to be the focus really at Ekati, still a lot going on. But that's the one area where we're going to be spending some time and effort and a bit of money on the Ekati property next year.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay. And is there anything to highlight at Diavik or is Diavik pretty much done by 2023?

Brendan Bell - *Dominion Diamond Corporation - CEO*

Sorry, that's our expectation is the Diavik is done by 2023. As you know the property is on an island.

I think it's been well explored. We're not expecting any new work or new discoveries on the Diavik property.

Tanya Jakusconek - *Scotiabank - Analyst*

Okay, all right, thank you.

Operator

At this time I am showing no further questions. I would like to turn the conference over to Mr. Brendan Bell for any closing remarks.

Brendan Bell - *Dominion Diamond Corporation - CEO*

Great, thank you operator and thank you everybody for joining the call. I would just say that any follow-up questions can be addressed as usual through Richard or Kelley. And of course we look forward to talking to you again when we report fiscal 2016 Q3 results.

Thank you very much. Take care.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you now may disconnect. Everyone have a great day.
